# **Determinants of Budget utilization in public Administration offices:** A case study of Dawuro zone, south western Ethiopian regional state, Ethiopia.

***A Thesis submitted to school of post graduate studies of Jimma University in partial fulfillment of the requirements for the award of the Degree of masters of Science in accounting and finance (MSC)***

*BY:*

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**JIMMA, ETHIOPIA**

***Determinants of Budget utilization*** *in public Administration offices: A case study of Dawuro zone, South Western Ethiopian Regional State, Ethiopia*

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**JIMMA, ETHIOPIA**

# CERTIFICATE

This is to certify that the thesis entitled **"*Determinants of Budget utilization in public Administration offices: A case study of Dawuro zone, South Western Ethiopian Regional State, Ethiopia*"**, was submitted to Jimma University for the award of degree of Master science in Accounting and Finance and has been carried out by Bayu Bahiru, Id. No.RM0087/15, under my /our guidance and supervision. Therefore, I/ we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the department.

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# DECLARATION

I, Bayu Bahiru, declare that this thesis entitled **"*Determinants of Budget utilization in public Administration offices: A case study of Dawuro zone, South western regional state, Ethiopia*"**, has the outcome of my effort and all materials used for the study were duly acknowledged.

To the best of my knowledge, this study has not been submitted for any degree at this university or any other university. It is offered for the partial fulfillment of the Degree of Master of science in Accounting and Finance (MSC).

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# JIMMA UNIVERSITY

# COLLEGE OF BUSINESS AND ECONOMICS

# MSc PROGRAM

## Board of examination

We, the undersigned, members of board of examiners read this thesis **"*Determinants of Budget utilization in public Administration offices: A case study of Dawuro zone, South Western Ethiopian Regional State, Ethiopia*"** and evaluated the final open defense by Bayu Bahiru Betela. We examined the candidate and we certify that it is a suitable submission for reward of an MSc (Master of Science in Accounting and Finance).

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| *Internal Examiner* | *Date* | *Signature* |
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| _____ | _____ | _____ |

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# ABBREVATIONS

**ANOVA**……Analysis of Variance

**BOFED**……..…Bureau of Finance and Economic Development

**WOFED**…….Woreda Office of Finance and Economic Development

**GB**……Government Budget

**EFY**……..Ethiopian Fiscal Year

**FO**……..Finance Office

**FEDO**…….Finance and Economic Development Department

**IBX**……..Integrated Budget Expenditure

**MEFF**..... Macro-economic and Fiscal Framework

**MOFEC**……Ministry of Finance and Economic Cooperation

**DZFEDD**…….Dawuro zone Finance and Economic Development Department

**PB**.....Program Budget

**PBBS**……Performance-Based Budgeting System

**SPSS**…….....Statistical Package for Social Science

**SWE**.....South West Ethiopia

# *ABSRACT*

*The purpose of this study is to identify the determinants of budget utilization in public administration offices; a case study of Dawuro zone, SWR, Ethiopia. To accomplish this objective the researcher adopted a descriptive type of research. The study was used both quantitative and qualitative research approaches. The study was conducted at three (3) Woredas, one city administration and zone finance and economic development office. The study used simple random sampling to select budget holder financial offices and the study purposively selected budget related employees from selected Woredas, city administration and zone finance office & also the study finally used proportionate stratified random sampling to select respondents from sampled Woredas and city administrations based on regular task they perform. The study used 183 employees that were directly related to budget issues. The study used both primary and secondary data. Primary data was collected through open and close ended questionnaire and Secondary data was gathered from reviewing of audited annul financial reports of 2011-2015EC (2019-2023). All collected data was analyzed by using both descriptive, multiple linear regression models and ANOVA testing. The collected data was, edited, cleaned, and coded; and then SPSS Version26 was used to analyze the data. For this study, five independent variables were identified including, Auditing and monitoring, Public procurement, Tax collection capacity, Government policy and Inflation rate. Therefore; based on output of SPSS the variables including Auditing and monitoring , Public procurement , Tax collection capacity and Government policy's affects budget utilization significantly at $p<0.05$but Inflation rate affects budget utilization insignificantly at $p>0.05$. Then the researcher recommended that Dawuro zone public administration offices should understand the contributions of these four variables to budget utilization in public finance offices.*



***Key word;*** *Budget Utilization, Auditing & monitoring, government policy, public procurement, Dawuro zone*

# CHAPTER ONE

# INTRODUCTION

In this chapter, background of the study, were followed a statement of the research problem, the objectives of the study were included, research hypothesis were adopted; the significance of the study pointed and scope of the study, limitation of the study and organization of the paper were part of my research to be studied.

## 1.1 Background of Study

Budget is the documents containing the annual estimates of revenue and expenditure prepared by the ministry of finance and submitted to the House of peoples representative's (parliament) for review and approval (Haruna, et al., 2016) A budget is an estimation of costs, revenues and resources over a specified period of time reflecting a forecast of financial conditions and goals (Wondimu, 2018). According to Helen (2020), a budget is a financial plan to manage future operations and outputs. In addition to this Budgeting is an estimate of revenue and expenditure of agencies and of individuals for detailed destiny duration and enables enhance the boom of groups through powerful and green control of resources. Budget is a control device used to reveal and manipulate the firm's expenditure for a given period on the idea of predetermined goals and if there are any versions of real with planned expenditure, corrective actions are taken (Thomas, 2022)

Efficiency and effectiveness of budget utilization is a cornerstone for socio economic development for both developed and developing country like, Ethiopia. Budget utilization is an actual execution of approved funds to predetermined objectives. The phase where resources are used to implement policies incorporated in the budget or the effective allocation and use of resources for the benefit of the organization and its employees. Most Government policies that impact people's living standards and society's sustainability require efficient and effective budget utilization. The Ethiopian government's budget reform decentralized budget preparation and management from the federal to woreda levels. To improve the quality of public sector services, it's crucial to properly utilize available financial resources in public administration offices (Shahid et al., 2019)

As soon as the House of people's representatives approves the budget, the governing body undertakes the most challenging task of distributing funds. It is frequently challenging task to utilize public fund efficiently and effectively to accomplish stated government policy goals and keep value of money as it is to plan how to utilize it. Based on different evaluation of government financial management effectiveness in the developing world indicates that nation operate well in budget preparation than utilization (Zewdu &Birhanu, 2021).

According to Omosidi et al.(2019), budget implementation equally important as budget plan itself. The successfull budget implementation prevents misuse and inadequate management of fund allocated to organization it also control the financial conduct of managers in government system ,avioding inefficiency or carelessness of fund utilization.Moreover Ministry of Finance and economic development (MoFED) set budget rules and regulations to all public finance offices. As a principle, those rules & regulations serves as a standard to control expenditure of budget holders and create sense of institutional budget perception. However, they do not ensure efficiency and effectiveness of budget utilization except the accountable finances holders display commitments and feel of accountability. Even though public sector follows MOFED rules and regulations, also budget utilizations are affected by many factors (Garedew, 2018). In addition to this the mismatch between resources and competing demand also make the budget making decision important it is critical for governments in order to optimize the use of existing resources (Abshiro,2014).

In any governmental system, effective budget utilization is most essential for ensuring efficient service delivery, infrastructure development, and overall socio-economic progress. Public administration offices play a crucial role in this process as they are responsible for implementing budgetary allocations across various sectors and programs. However, there are often discrepancies between the allocated funds and their actual expenditures, leading to inefficiencies and suboptimal outcomes. These problems occur frequently in the Dawuro zone. Due to this, it is critical to look at what factors influences budget utilization in public administration offices' and how they can be affected can help them to make sound decisions. This study looks at how well the public administrations offices in the Dawuro Zone utilize their approved budgets and what factors influence their budget utilization capacity. It aims to fill a gap in research and contribute to efficient and effective budget utilization in the public sector.

## 1.2 Statements of the Problem

Every country prioritizes on budget utilization to ensure development and survival. The efficient and effective utilization of government budget is primarily to accomplish planned goals. Governments prioritize on budget planning and usage to meet their needs, including both recurring and capital expenditures. During the financial year, however, not all funds are expended as per the plan (Hashim Tune, 2019). In addition to this the planned budget must be based on the period selected for future budgets & Budgets are important spending and planning tools for any organization. Using a budget provides leads against goals and an evaluation of expected results. The effective application of the budgeting method and its implementation is acknowledged to have had a positive impact on the listed budget lines through improving the expected performance of financial management and development through establishment of venture business base to utilize fixed assets (Ruth, 2016).

According to Hoyong (2022), the government budget should be managed efficiently and properly to accomplish prosperity and social welfare. The government allocates a significant budget for public sectors, yet it is often underutilized or overused. This problem was especially prevalent in the Dawuro zone. According to the study of Shahid et al. (2019), budget utilization in public sectors are mainly affected by management support, organizational work culture, employee's related factor and monitoring & evaluation and all have significant effects on budget utilization. According to the study conducted by Zebider (2018), Lack of adequate and experienced budget and audit experts, poor follow up on budget utilization, no accountability in budget utilization and there is weak market oriented cost estimation practice are among shortcoming of budget usage.

Furthermore the budget utilization in the public sectors affected by lack of adequate and experienced budget experts, poor market-oriented cost estimating practices, no accountability in the use of budget, Lack of identification and continuous reporting of budget balance in each budget code and institutional regulations on budget transfers, Delay availability of funds or delay funding as required by Treasury Department and Economic Development (Abayneh Kindie et al., 2018). Morever the study conducted by Zewdu and Birhanu (2021), also proved that management support, organizational culture, employee factors, and lack of proper planning, untimely budget reviews, knowledge, human resources, and participation, Low budget

allocation, political and sectoral priorities and Issues like coordination, data organization, and delays in financial disbursement can lead to underutilization and inconsistency in budget usage trends.

The entire empirical studies conducted in the Ethiopian contexts listed above are focused on budget utilization related studies but the study was not conducted on determinants of budget utilization in public administration offices in case of Dawuro zone, south west Ethiopia region and Also there was an absence of up-to-date and evidence-based information and understanding on regular budget utilization efficiency and effectiveness in the Dawuro zone. So this study found this gap and was tried to fill the gap by conducting the study. In addition to this there is still variation between approved budget and actual expenditure in the Dawuro zone public administration offices. This study aimed to address the existing research gap by examining the determinants of budget utilization in public administration offices in case study of Dawuro zone; south western Ethiopia regional state .

## 1.4 Objectives of the Study

### 1.4.1 General Objectives

The general objective of this study was to identify determinants of budget utilization in public administration offices a case study of Dawuro zone south western Ethiopian region.

### 1.4.2 Specific Objectives

1. To examine the impact of Auditing and monitoring practices on budget utilization in the Dawuro zone

2. To investigate effects of public procurement on budget utilization in the Dawuro zone

3. To identify the influence of tax collection capacity on budget utilization in the Dawuro zone

4. To evaluate impact of government policy on budget utilization in the Dawuro zone

5. To examine the impact inflation rate affects budget utilization in the Dawuro zone.

## 1.5 Research hypothesis

In order to answer the research objectives the following alternative hypothesis was formulated. A hypothesis is a logical estimated relationship between two or more variables expressed in the form of testable statements. According to Creswell (2018), Hypothesis is a formal statement that expresses the excepted relationship between an independent and dependent variables. So for this study, the following theoretical and empirical evidences supported the formulation of hypothesis. After reviewing the related literature and after analyzing the relationship between dependent variables and independent variables the researcher found out there is a relationship between budget utilization and auditing and monitoring. The study made by Shahid et al.(2019), Rotich(2015) and Garedew (2018) identified that budget utilization has a significant and positive relationship between auditing and monitoring. And also Dinkinesh(2019), identified that budget utilization has an insignificant & positive relationship between auditing and monitoring.

After referring to these and other related researches the researcher develops the first hypothesis.
**H1:** *Auditing and monitoring has positive and significant effects on budget utilization in public administration offices.*

The study made by Abayneh K et al. (2018) they identified that budget utilization has significant and positive relationship between public procurement in their finding. After referring to these and other related researches the researcher develops the second hypothesis.
**H2:** *Public procurement has positive and significant effects on budget utilization in the Dawuro zone*

The study made Charles (2015), Hashim(2019), Rotich (2015) and Dinkinesh(2019), they identified that budget utilization has a significant and positive relationship between tax collection capacities. And also Garedew (2018) identified that budget utilization has an insignificant and positive relationship between tax collection capacities. After referring to these and other related researches the researcher develops the third hypothesis.
**H3:** *Tax collection capacity has positive and significant impacts on budget utilization in the Dawuro zone*

The study made by Dinkinesh(2019), identified that budget utilization has a significant and positive relationship between government policies. After referring to these and other related researches the researcher develops the fourth hypothesis.

**H4:** *Government policy has positive and significant effect on budget utilization in the Dawuro zone*

According to the finding of (Rotich (2015), Hashim(2019) and Dinkinesh 2019) they identified that budget utilization has a significant and negative relationship between inflation rates and Charles (2015) identified that budget utilization has negative and insignificant relationship between budget utilization. After referring to these and other related researches the researcher develops the fifth hypothesis.

**H5:** *Inflation rate has negative and significant effects on budget utilization in the Dawuro zone*

## 1.6 Significance of Study

First and foremost, investigating the budget utilization efficiency of public administrative offices provides valuable information about the position of public offices and the Dawuro zone budget utilization. Secondly, identifying the critical issues and challenges affecting the budget utilization of the Dawuro zone is an important prerequisite for developing appropriate solutions at each stage of the budget allocation and utilization process of the Dawuro zone. Thirdly the study provides up to date information and understanding of regular budget utilization efficiency and effectiveness of public finance offices in the Dawuro zone. In addition to this the also help Dawuro Zone to determine how budgeting and budget utilization can help management achieve financial goals and enable organizations to know whether the current budget control system is compliant and whether policies and procedures have been established. It is also essential for improving financial management practices and ensures efficient resource utilization in the zone. The study is very crucial to management through evaluating the efficiency and effectiveness of budget utilization. The researcher himself will benefit greatly as he will develop research experience and skills. Furthermore, by conducting this research, the researcher may increase his knowledge on topics such as budgeting, budget preparation, budget management, budget allocation, budget usage and related concepts. In addition to the above, this study will provide research directions for future researchers. This will add knowledge to existing literary knowledge and serve as a reference for further studies

## 1.7 Scope of the Study

This study was limited to budget utilization of public administration offices in case of Dawuro Zone; south west Ethiopia region. The study was, conducted in Dawuro zone finance offices, in three Woreda public finance office & one city administration finance offices, and moreover, this study were included those employees and officials whose work is directly related to budget issue. In addition to this the this study had limited to comparing allocated budget and actual expenditure of Dawuro zone finance and economic development department during the last five from 2011 up to 2015 E.C and also comparing utilization efficiency of sampled financial office in last five years.

## 1.7 Limitation of Study

The main aim of this study is to identify determinants of budget utilization in the Dawuro zone public sectors. The study collected data from the Respondents whose daily tasks are directly related to budget issues and also all data is collected from public finance offices, and also the study limited to five years annual audited financial reports (2011- 2015). The study was limited to the following variables that determine budget utilization; auditing and monitoring, public procurement, tax collection capacity, and government policy and inflation rate. The sample size is limited if taking more samples or target population may give deep understanding on the effects independent variables on dependent variables (budget utilization).

## 1.8 Organization of Study

The study was organized under five chapters which are presented as follows: the first chapter of study includes background of the study, a statement of the problem, objectives of the study, significance of the study, scope of the study, and organization of the study. The second chapter of study describes review of related theoretical and empirical literature. Chapter three of study general describes about materials and methods such as study area, research design, target population, data type and source, method of data collection, method of data analysis, model specification and reliability of data. Chapter four of study describes the findings and discussion of the study and the last chapter five presents summary of finding, conclusion, recommendations and directions for further research.

# CHAPTER TWO

# REVIEW OF RELATED LITERATURE

# INTRODUCTION

Both theoretical review and empirical review was discussed in this chapter the concept such as budgets, history of budget, principles of budgeting, types of budget, budget cycles, budget utilization, controlling& monitoring of budget utilization ,concept of over and under budget utilization ,function of budget ,budget credibility , concept of difference between actual and budgeted expenditure and empirical studies that have a close relation to the topic in the global ,Africa and Ethiopia are discussed in this chapter .

## 2.1 Theoretical Review

### 2.1.1 Nature of Budget and Budgeting

Budget is a numerical plan for our future resource especially monetary resources to use it in economical efficiently and effective manner or plan to spend our money and the process in which we create this plan is called budgeting. Budgets are used as a tool for controlling costs and expenses (Ali &Cemil, 2016). Budget is an estimate of income and expenses for a specified future period and is usually compiled and reassessed periodically. Budgets can be set for any organization that wants to spend money, including governments and businesses, as well as individuals and households, regardless of their income level. To manage your monthly expenses, prepare for unpredictable life events, and be able to cover expensive expenses without going into debt, budgeting is important. Tracking what you earn and spend doesn't have to be a chore, doesn't require you to be good at math, and doesn't mean you can't buy the things you want. It simply means you will know where your money is going and have better control over your finances (Akhilesh, et al., 2022)

A budget is a detailed plan that sets out, in monetary terms, your income and expenditure plans for a future period based on pre-agreed goals Abshiro(2014), a budget is defined as a detailed outline of estimated expenses for a particular period of time and a proposal for their financing.

The budget is a numerical representation of a plan of action that aids in coordination and implementation. It is a financial plan that outlines proposed expenditures for the year and the methods of financing them, as the budget serves as a financial plan for various activities. However Budgeting is the process of determining how much a government should spend based on available resources and avoiding overspending. Budgeting has developed to serve several tasks, including political communication, economic and social stimulus, governance, and accountability. The diversity of functions has led to several budget formats and bases, as well as more complicated budgeting procedures (Saliterer, I.et al., 2018)

### 2.1.2 Function of Budget

Public budgets were developed to ensure that no revenue or taxation could be raised without the permission of public representatives, who could then decide how to use public resources. The goals were to authorize public expenditure, ensure compliance through budget execution and reporting, and ensure responsibility for decision-making and resource utilization. Public budgets provide a breakdown of revenues and expenditures for public sector entities and aim to maintain balance. Budgetary appropriations limit the amount that can be spent during budget execution, ensuring that expenditures do not exceed them (Saliterer, I.et al., 2018). In addition to this the Government budget is crucial to plan and manage its financial resources to encourage implementation capacity of different program and initiatives that most effectively promote development of country. Budget mostly serves as the purpose of evaluating performance, coordinating activities, implementing plans and communicating, motivating, and authorizing action within governmental and nonprofit organizations. Budget appropriations provide a framework and limit for management action. Furthermore, the budget functions as a tool that assists managers in both their planning and control responsibilities. Nevertheless, managers also use budgets to assess past occurrences (Charles, 2015)

### 2.1.3 Importance of Budgeting

Budget prevents spending funds on unnecessary expenditure for the business needs. Budget used in organization to plan for future growth and development. Saving from regular organization expenses can be moved to reserve account for future business opportunity. This ensures organization to have enough resources to make sound decision about growing their operation

(Wondimu, 2018) in addition to this it is used as controlling and evaluating resources and their use, managers can carry out activities on basis of approved budget and evaluate financial performance based on a comparison of budget and actual operations(Hoyong, 2022) .

## 2.2 History of Budget

### 2.2.1 Early Origins of Budgeting

The term “budget” was originated from Latin word “bulga” which means a little pouch or backpack. It may originate in Gaulish source and is linked to Irish word “bolg” meaning “bag”. The word first appeared in England in 15th century coming from French bougette, a small form of bouge which means “leather bag”. The term “pouch” original mean wallet, bag in English, referring to something made from leather as it did in French.by the late 16$^{th}$ century the term could apply to both content of budget and box. By the early 19th century, many of today's accepted policies and procedures had emerged. It was through the efforts of the French to reorganize their government that budgeting became useful. In the mid-1800s, they had to develop guidelines for conducting audits, determine standard fiscal years, and prepare accountability reports. They require written statements detailing all income and expenditure for the year, with a reconciliation of where all the funds came from and how they were allocated (Kajujju, 2012)

### 2.2.2 Evaluation of Budget in Government Organizations

In the early 1800s, American government and business began to recognize the concept of a balanced budget. Although it may mean something different to people today, in those days a balanced budget meant controlling spending and keeping it low while reducing or eliminating debt (Modupe, 2017).

According to Joseph (2022), the term "budget" refers to a plan of government expenditures and revenues to balance that expenditures.further more budget as “a short-term financial plan that ensures the correct ratio of income and expenditure.” He further stated that the budget is "a tool for the continuous monitoring process, review and evaluation of performance, from preparation to approval to execution." Although private companies and individuals have their own budgets, the government only covers the budgets of state authorities, and it is almost standard to create a budget every year. The budget remains an important tool for coordination and preparation of the

government's short-term plans. Budgets communicate fiscal revenues and expenditures between ministries. Additionally, the budget serves as a means for Congress to exercise democratic control over the executive branch.

### 2.2.3 Budgeting Practices in Ethiopia

According to Dinkinesh (2019), In Ethiopia budgeting practice early started at the regimes of Hailesilase. However, at the beginning, it was not structured in such a way as to permit efficient financial administration, but through time period continuous modification of the budget system was made before it attained its present status. The budgetary system varied in diffident regimes based on the administrative structure each government followed. In centralized system, resource allocation and financial administration is the major responsibility of central government. The budget would be formulated and resources allocated by the central government.further more the entire spending process was also under closer supervision of executive bodies at the central government. In a decentralized governmental structure, on the other hand, the responsibility of financial administration is developed into autonomous and semi-autonomous governmental units like ministry offices, and regional and local governments. Ethiopian budgeting systems reach this current situation, after several modifications. These modifications were approved by the constitution of the country. The Federal Democratic Republic of Ethiopia (FDRE) constitution defines the budget system and its structure briefly under Article 65 and Proclamation No.1/1995, 57/1996, and 17/1997

## 2.3 Principles of Budgeting

The budget process must be based on principles such as participation, transparency, accountability. These are ideals, but not all budgets follow them. Any budget system should be considered against these criteria.

### 2.3.1 Participation

This refers to level of involvement of all stake holders /actors in the budget process directly or through legitimate intermediaries the processes of budget preparation, as true for the other like approval, implementation and review needs participation of various stake holders. It is through preparation that people’s perspective can be brought to the attention of the policy makers. It also allows citizens to hold government accountable, to identify weakness in a budget, to build

consensus (consensus is abroad understanding of the common goal and the modalities of working to that end) and to mobilize the community effectively to meet a budget target. Participation in budget process allows member of the community to raise issues that are important for them and hence, influence budget allocations (Tafesse, 2017). An appropriate Pparticipation is essential to improve the quality of budgetary decisions and provides an important reality check for their implementation capacity (Workneh, 2017)

### 2.3.2 Equity and Inclusiveness

This refers to the need to ensure, in terms of budget allocation, opportunities to maintain and improve the well-being of different groups in a particular social or political environment. (FDRE, 2009) In this connection, Budget allocation should be fair and equitable and should apply equally to all citizens without discrimination based on gender, ethnicity, social class or geography. "Resources mobilized for spending basically comes from three sources: taxes, external aid, and external financing. Taxes are collected directly from the people and aid is provided to the government on their behalf. Loans are taken out in the names of citizens, and all citizens are responsible for repayment. In other words, the money the government spends belongs to everyone (Tafesse, 2017)

### 2.3.3 Accountability

This refers to answerability of decision makers and implementers with regard to budgetary process at the formulation, approval, and implementation and performance review stages to those whose interests are affected by their actions or inactions. Accountability generally requires sound financial management systems, sound financial management methods (Wubeshet, 2002)as cited by Tafesse,2017)

## 2.4 Types of Budget

Typically, there are two categories of any government budget: capital or development budget and recurrent budget. A government's budget is a public document that contains a summary or plan of that government's expected revenues and expenditures. Budgetary institutions have two types of budgets called current budgets and capital budgets. The recurrent budget includes recurrent expenditures divided into four functional categories: administrative and general services,

economic services, social services and other expenditures. The capital budget is intended for the expenditure of fixed assets or consulting services (Fantaye, 2017)

### 2.4.1 Recurrent /Operating Budget

According to Orheruata and Osagie (2013), recurrent budget provides estimates of expenditures needed to meet day-to-day operational requirements of the organization.

Operational requirements include salaries, wages, rents, electricity bills, and other consumables. It includes all sales and fees over duration of time (generally 1 / 4 or a year) that a corporation, authorities or enterprise makes use of to devise its operations. A running price range is ready earlier of a reporting length as a purpose or plan that the enterprise expects to achieve. These include revenue or sales budget, production budgets, direct labors cost budget, direct material purchase budget, manufacturing overhead budget, choosing stock budgets, cost of goods sold budget, marketing cost budget, distribution cost budget and administrative budget (Wondimu, 2018)

### 2.4.2 Capital Budget

Focuses on investments in long-time period property like equipment or facilities, detailing projected prices and blessings related to such purchases. The capital price range is utilized by control to devise costs on constant assets. The capital budget is an estimate of the expenditure of future assets whose use will usually cover more than a year. Road construction works, bridges, machinery, and other infrastructural projects fall in the capital or development budget category (Orheruata & Osagie, 2013)

## 2.5 Stages in Budgetary Process/Budget Cycles in Ethiopia

According to MOFED (2015), in the Ethiopian context, in the first phase of the budget process, all public authorities are required to carry out all budget preparation activities, including assessment mid-year program price for the current fiscal year, prepare unit price work plan for the next financial year Ethiopia (EFY From July 7 this year to July 6 next year) (Hamle 1 to Sene 30 according to the Ethiopian calendar).In the second phase, BOFED sends budget appeal letters and instructions to all public agencies. Each public authority is required to prepare its budget request and submit it to the central authority. The central authority is responsible for synthesizing the national budget and ultimately presenting it to the council of ministers and/or parliament..

In the third stage, after the proposed budget draft is revised and adjusted by the Council of Ministers, it is then submitted to the National Assembly for debate and approval. The annual allocation of the approved budget will then be made. The fourth stages are disbursement of approved budgets to key agencies, implementation of planned activities, and recording of expenditures. It is the process of transferring and spending money to ensure activities can achieve their goals. In the final stage of budgeting, the process is about controlling or monitoring performance. This involves oversight activities in the form of annual reports by public authorities and audit reports to Parliament, i.e. Expenditure accounts, reviews and audits. The Ethiopian government budget process has four stages at all level of jurisdiction (Federal, Regional, and Woreda government) which is guided by Financial Calendar directive issued by the Ministry of Finance (MOF) to all public budgetary bodies (institutions).There are four stages in the budget process/ cycle at any level of jurisdiction, federal, regional zonal and woreda governments (Wubeshet, 2002) as cited by Tafesse (2017) these are:

1. Budget preparation (draft/design )
2. Budget approval & appropriation (legislative process)
3. Budget execution (implementation process ) and
4. Budget control (performance monitoring/audit and evaluation processes

### 2.5.1 Budget Preparation

According to Jebril (2017), preparing a public budget is a laborious undertaking for any government to undertake. The preparation of annual budgeting process requires a significant amount of effort, time, and money. To effectively prepare an annual budget, a government must be prepared to follow all necessary procedures. In Ethiopia, the budget process is guided by a directive (financial calendar) issued by the Ministry of Finance and Economic Cooperation (MoFEC) to all entities listed as public entities. This policy provides a timeline to ensure that planning and budgeting are prepared, approved, allocated and implemented in a manner consistent with the set development agenda MOFED (2015) its preparation is often based on a document prepared by the MoFEC called the Macroeconomic and Fiscal Framework (MEFF). MEFF provides, among other things, government revenue and expenditure forecasts Expenditure financing and dividing total spending into federal and local spending, and dividing federal spending into current and capital spending for the next three years.

### 2.5.2 Budget Approval & Appropriation

Approval of the budget and annual appropriation is the responsibility of Legislators/the parliament at 7th July. According to Tafesse(2017), Once the recommended budget is reviewed and adjusted by the respective executive body at all levels it is then presented to the legislative bodies, the federal house of people representatives, the regional of people's representative, zonal people representative and woreda house of peoples representatives for approval and annual appropriation of the approved budget at all levels. These legislative bodies review, amend, and approve the budget. The appropriation at federal levels specifies the total of the federal capital budget, recurrent budget and regional subsidies and the total subsidy moreover Subsidies to the region are based on three indicators; population size 60% level of development 25%(four sub-development indicators are considered here: agricultural sector, education sector, health sector, and water sector indicators), and revenue collection effect 15%(But in countries like U.S the budget proposal adopted by the congress is subject to presidential veto (Asfaw, 2016)

### 2.5.3 Budget Execution/Implementation

Once the budget is approved and approved by the legislative bodies, MOFED prepares budget allocation guidelines and informs public authorities and their budgetary institutions about the financial sources and expenditure items to Disbursement of approved budget to relevant agencies. The establishments then use the budget to carry out their activities during the year. This involves carrying out planned activities and recording costs. It is the process of transferring and spending money that will ensure that activities can achieve their goals. According to (Asfaw, 2016) because decision makers cannot always predict the future with perfect accuracy, changing conditions such as the occurrence of natural disasters or man-made disasters can may require a review of the budget during implementation. The executive is primary accountable for the implementation of the budget management procedure.

The ministry of finance or treasury usually takes the lead in ensuring that monies are allocated to spending departments in accordance with the approved budget. Sometimes, particularly in numerous developing nations, financial barriers may result in some expenditures being reduced below voted levels. Sometimes money are transferred to purposes other than those approved. In certain circumstances, this comes at the expense of expenditure on basic necessities or critical infrastructure (Helen, 2020)

### 2.5.4 Control/performance monitoring

Budget monitoring is the process by which we ensure action plan is achieved or not, in terms expense and income. The process be on a regular basis and performed on the demand and in as close current time as possible (Yesuf Ahmed, 2015). Performance monitoring is the final stage in budget processes. It examines the activities in the terms of public bodies' reports and audit reports to the house of people's representatives. It is important to ensure out produced and service delivered achieve the predetermined plan (Dinkinesh, 2019).

## 2.6 Budget Utilization

After the legislature approves the budget, the government has the challenge of utilizing cash. Effectively using public funds to achieve policy objectives and ensure value for money can be just as challenging as establishing how to spend them. Studies indicate that developing nations succeed at budget planning but fail with budget utilization. Budget utilization refers to the effective allocation and use of resources for the benefit of the organization and its employees. To optimize budget utilization, each budget user unit is required to record daily inflow and outflow of budget movements and maintain the balance on the ledger designated for this purpose (Tsige, 2019)

According to Meseret (2016), Budget utilization defines the means by which all planned activities will be delivered and responsiveness in the activities will create the outcome for reporting by the end of the implementation period. Approved budgets take one financial year i.e. 1st July to 31st June of the duo running years within twelve month duration. The review by the Parliamentary Finance Committees and National Treasury fiscal teams who work in tandem for delivery of the reallocations if some sectors need more finances for use is essential for success of any approved budgets. The allocated appropriations are adhered to carefully as any misappropriations that may arise will impose some indirect sanctions by ensuring the call for accountability is inclusive (Ruth, 2016).

## 2.7 Controlling and Monitoring Budget Utilization

Monitoring the finances is essential to make sure that the financial, operational and capital plans that have been advanced and authorized for implementation as a part of the finances methods are being implemented. Budget tracking is essential for a business enterprise so one can put into effect responsibility associated with spending. In addition, regular, complete tracking of the price

range lets in a central authority to assess carrier degree provision, make certain any new projects are making anticipated progress closer to goals/expectations, study greater approximately traits and different deviations that can effect destiny operations, and sooner or later reveal transparency with the aid of using sharing findings from this ordinary monitoring Budget tracking need to encompass exam of a wide set of features with the intention to absolutely tell what moves want to be taken if good sized deviations are found (Tsige, 2019)

## 2.8 Concepts of Over and Underutilization of Budget

The management of public expenditure allocation is becoming increasingly complex. Because the role of government has expanded and financial resources have become increasingly scarce to meet growing social needs and population growth. Due to insufficient financial resources, in contrast to the growing demand for public services, there is a need to improve resource allocation through appropriate economic policy and spending plans (Garedew, 2018).According to Dinkinesh (2019), the factors that affect the over and underutilization of budget are such as, organizational structure factors, capital transfer from planned to unplanned activities and inflation rate are major problems related to budget implementation and are very difficult to execute it according to plan.

## 2.10 Budget Credibility

Budget credibility is measured as the proportion of actual expenditure at the end of the fiscal year out of the budget that was approved at the start of the fiscal year.is degree of deviation between planned and actual spending over a 12-month period, rather than relating it to the concepts of legitimacy or technical appropriateness (Simson & Welham, 2014).According to MOFED (2015/2016) budget to be an effective instrument, it needs to be credible. Some of the main reasons for the lower capital budget credibility are procurement issues and the shortage of foreign currency needed to make capital investment.

## 2.11 Program Budgeting

When a term is synonymous with performance budgeting, it typically includes a form that discloses budget performance or the total cost of a program or operation, regardless of the number of organizational units that may be involved in performing the various operations not used for pointing an aspect of a program or function. Program budgets address the fundamental

questions of whether a program should exist at all and how to allocate scarce resources among competing programs. The fusion of planning, programming, budgeting, and accounting have become highly attractive to those working in public administration(Helen, 2020).Moreover a program budget is a tool to improve the efficiency of budget spending. It differs from the traditional one in that all expenses are allocated by program. Each program prescribes specific outcomes for agency performance that reflects positive change within its sphere of influence, as part of the program, a strategic and financially justified budget is developed and different variations of program implementation are developed (Afanasie & Shash, 2016)

## 2.13 Empirical Review

There have been research papers conducted on the factors affecting budget utilizations and other closely related to the title that done at different times. Hence, this study wants to review some of the theses which have been made on the related topics along with its findings. This section reviews empirical studies conducted world, Africa and Ethiopia.

### 2.13.1 Empirical Literature Reviewed In Different Parts of the World

Ali Uyar and Cemil Kuzey (2016), Conducted a study to evaluate the contextual elements that influence the amount of budget use and performance using contingency theory. To achieve its objectives, the study conducted a questionnaire survey of Turkish enterprises. Data was analyzed through confirmatory factor analysis and covariance-based structural equation modeling. The study also found out impact on use and performance, size, structure, perceived environmental uncertainty (PEU), and information technology (IT) all influence budget utilization.

According to Johnny Jermias and Fatih Yigit (2013), study on budgetary participation in Turkey; specifically the effects of information asymmetry, goal commitment, and role ambiguity on job satisfaction and performance. The primary goal of the research is to determine how the knowledge asymmetry between superiors and subordinates produces the demand for budgetary participation, as well as the results of that participation. The study conducted a questionnaire survey of 194 mid-level managers in Turkey. The study discovered that role ambiguity modulates the association between budgetary involvement, work satisfaction, and budgetary participation-performance, as well as goal commitment.

Quang H (2021), Conducted a study on budgetary participation in public sectors, with a focus on Vietnam. The study's goal is to look into how autonomous motivation and information sharing influence the relationship between budgetary participation and management effectiveness. Data were collected from 153 managers working in Vietnamese public schools. The study's findings suggest that information sharing mediates the relationship between budgetary participation and management performance, whereas autonomous motivation has no relationship with managerial performance.

Widia A et al., (2022), conducted a study on the use of accounting information and budget involvement as predictors of management effectiveness in Indonesia. The study's primary goal was to investigate the impact of budget participation and Management Accounting Information on managerial performance, with an emphasis on the moderating effects of leadership style, environmental uncertainty, organizational commitment, and corporate strategy. The study's research methodology was quantitative. A questionnaire was utilized to obtain data from employees in Indonesia's textile business. The study revealed that Management Accounting Information is a critical predictor.

### 2.13.2 Empirical Literature Reviewed In Africa

Mukaramoja J & Malenya, A (2019), conducted a study on the impact of budget utilization on effective public spending in Trans Nzoia County Government, Kenya. A structured questionnaire was carried out by his 88 respondents, and the survey audience consisted of internal auditors, accountants, economists, department heads, economists, chief executives, and financial officers. This study also used Yamane's proportionality equation for the sampling method and also used multiple regression analysis. The researchers finally concluded that household items had a significant impact on the effect public spending.

Ekhator & Chima (2015) ,considered budgets as a tool to achieve public policy goals using data from secondary sources in Nigeria, it has been found that incessant pricing failures at the component and implementation level are defeating the purpose of the maximum guidelines. Most of the factors contributing to the errors were significant: overdue guideline submissions and delays in delivery, cumbersome bureaucratic methods for securing start-up funding, short-term sales decline, and reluctant implementation and especially corruption.

According to Ruth (2016), this study was conducted to investigate the impact of budget utilization on the financial performance of county governments in Kenya. This study adopted a descriptive research design and used both quantitative and qualitative data. The study targeted 70 finance and administrative staffs for the survey and used both secondary and primary data collected through questionnaire to assess the annual Relevant and secondary data were collected from audit results and statistical packages (SPSS) were used for data analysis. This study shows that shared budget allocations, including budgeted district expenditures and district revenues, actual district expenditures and actual district revenues, and district resources and district poverty index, have a positive impact on district fiscal performance.

According to Smith (2015), study on factors influencing budgeting and financial management practices in district health departments in Ghana. The main argument is that contextual factors, management team composition, district health department characteristics, and strategic planning at the local level all influence the achievement of sound budgeting and financial management practices. The analysis revealed that the characteristics of the district health department had a strong direct influence, while strategic planning and budgeting had a strong indirect influence.

As study conducted by Abongile(2017), to assess the factors influencing budget management in the Western Cape government sector in South Africa. This study used both quantitative and qualitative approaches. The target audience is management positions. The data was collected though questionnaire. The results suggest that comprehensive training and empowerment of budget professionals is needed to bring coherence between budgets, budgeting processes, and project implementation, and to deliver implementation to the public.

### 2.13.3 Empirical Literature Reviewed in Different Parts of Ethiopia

Dejene and Semeneh (2016), Conducted study on Intrinsic Factors Affecting Budget Utilization in Ethiopian Public Universities, used descriptive research design, used both primary and secondary data and a total of 178 respondents were randomly selected from Dilla, Wolaita Sodo and Bule Hora Universities. The study concluded that The major causes factors for miss-utilization of public budget are mainly due to lack incapacitated budget staffs in terms of skill and knowledge in each respective budget offices, lack of knowledge in the use of information (ICT) by management and the experts at each level, inadequate human resources, lack of continuous monitoring and evaluation, lack of commitment of top management, among others.

Abayneh Kindie et al. (2018), researched on the Procurement and Budget Utilization Challenges: The Case of Public Universities in Amhara Regional States, Ethiopia. This examine used an exploratory studies design; Purposive sampling and snowball sampling have been used on this examine. The qualitative studies' techniques become undertaken with inside the shape of in-intensity literature review, in-intensity interview and cognizance group. The main problems with utilization budgets are: not having enough skilled budget experts, not estimating costs well, not being accountable for using the budget, and not keeping track of the budget balance. Also, there are no rules for using the budget in organizations. The researcher encouraged that involved our bodies to paintings on schooling employees, transparency, accountability, getting certified team of workers and etc.

Wondimu (2018), Made a study on the determinants of effective budget utilization of World Bank loans and grants: a case study on Productive Safety Net Program. The researcher used both quantitative and qualitative approach. Primary data was used. The data collected was discussed and interpreted through descriptive statistics and inferential statistics, and SPSS Software packages. study find out that the main determinants for budget usage are; the long and complicated process of buying things, bids that fail many times, not enough good bidders, suppliers not being able to give things on time like they said they would, not enough people to do the job, taking too long to buy things, problems from audits that haven't been fixed.

Shahid et al.(2019), the study conducted Factors affecting budget utilization bahirdar city administration, health department, Ethiopia. The study followed combined studies technique and used each qualitative and quantitative statistics and it became accumulated via questionnaires of a complete of 148 respondents. The Primary data gathered the usage of closed ended questionnaires and organized with inside the form of likert scale kind means of building into five-factor scale. And additionally the take a look at evolved hypotheses which had been intently related to the studies objectives; the studies changed into utilized by Ordinal logistic regression model. The information changed into analyzed with the aid of using the use of each descriptive and inferential statistics. The study observed out that the 4 unbiased variables (control support, organizational paintings culture, Employee's associated issue and monitoring & evaluation) all have big results on price range utilization.

Garedew (2018), performed studies to observe demanding situations and possibilities of finances education and usage in Kaffa zone decided on finance bureau, the examine goal population became 90 personnel without delay associated with finances issue. The study used both primary and secondary data. The study used both qualitative and quantitative approach& all accumulated data analyzed by the means of the use of each descriptive and empirical model. Finally look at concluded that Budget utilization become considerably stricken by contractor's capacity, diverting fund from planed software program to unplanned software program ,Auditing system, inflation, lack of coordination amongst special budget holders with finance sections, awful procurement manage and dalliance of disbursement.

Minilik Wubeet al. (2019), Conducted study on Assessment of budget utilisation (Channel One) in the Water Sector a case study of four selected Woredas in Benishangul Gumuz regional state. The study used Descriptive & time series data and Primary data was collected from respondents at regional, zonal and woreda levels. The study concluded that the factors that significantly affect budget utilization in study area are; Low budget allocation of budget to water .The growth trend of the budget in individual districts is inconsistent, lack of coordination and structural clarity in the water sector, lack of consistent and well organized data, delays in financial disbursements, lack of effective and systematic monitoring and evaluation, and prevalence of centralized budget allocation at woreda level.

## 2.14 Summary and Research Gap

As mentioned in theoretical and empirical literature, different researchers were conducted in factors affecting budget utilization of public sectors in different countries. In Ethiopia various studies were conducted on factors affecting budget utilization of public sectors but no study has been to determine Influencing budget utilization of public administration offices ;case of Dawuro zone south west Ethiopia .Those research conducted on factors affecting budget utilization like lack of adequate institutional and managerial capacity to support its implementation, variation in understanding the concept of differentiating objectives from targets, goals and results, problems related with costing and cost distribution between programs, lack of harmony and uniformity on terms and definitions and difficulties in making the structures of the organizations few among others are challenges that affect budget utilization .

As the researcher critiques different researchers preceding locating in Ethiopia, there are variables which can be nevertheless now no longer covered on their studies like, ineffective tax collection, public procurement &government policy and not investigated its significance. On other hand, no studies have conducted to determinants of budget utilization of public administration offices; case of Dawuro zone and there was absence of up to date and evidence based information and understanding of regular budget utilization efficiency and effectiveness in the zone. Therefore; the purpose of this study is to identify determinants of budget utilization of public Administration offices in case study of Dawuro zone south west Ethiopia region by identifying this large gap and the knowledge gap in the area.

## 2.15 Conceptual Framework of the Study

The conceptual framework is a scheme of concepts (variables) that a researcher operationalizes to achieve the predefined objectives of the study. Meaning the conceptual framework shows the linkage between independent variables to the dependent variable. From the theoretical and empirical literature reviews, Successful budget utilization in public administration offices is dependent upon careful planning, economical allocation of funds, and sound financial management practices. Budget line utilization provides a starting point to evaluate the target and expected performance. Effective budgeting procedures have been confirmed to have a positive effect on the stated budget lines (Mukaramo and Malenya, 2019). If budget is properly implemented and monitored, taking into account all factors that affect the proper control of the budget, an organization should be able to optimally utilize resources to achieve its goals and objectives (Abongile G, 2017).Prioritizing expenditure according to strategic priorities, accurately evaluating costs, and clearly setting targets that are in line with the organizations objectives are the first steps in the process (Rediat ,2020).

The independent variables for this study are auditing and monitoring, public procurement, tax collection capacity, government policy and inflation rate and these variables has more explanatory power on budget utilization

# Conceptual framework

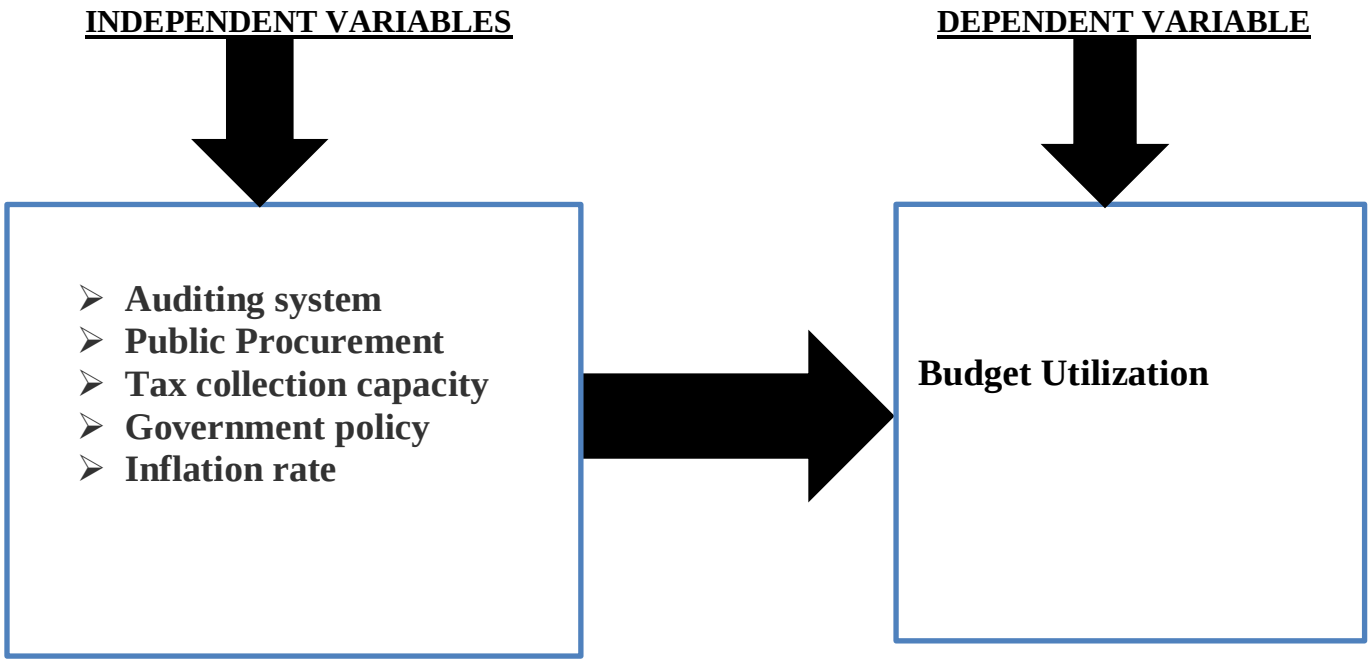


**Figure 2:1 Conceptual framework**

Source: own survey, (2024)

# CHAPTER THREE

# RESEARCH DESIGN AND METHODOLOGY

In this chapter, the researcher was discussed all those method or techniques that was used to conduct the research. Thus, it refers to basic elements of research design and methodology which include description of study area, research design, target population, sampling techniques& size, and data gathering instruments, data collection procedures and method of data analysis.

## 3.1 Description of Study Area

Dawuro is a zone in the South West Region of Ethiopia (SWE).The name "Dawuro" represents each the land and the people. It is positioned at approximately 505km southwest of Addis Ababa, the capital of Ethiopia. Dawuro is bordered at the south with the Kucha in Gamo Zone, at the west with the Konta Zone, at the north by the Gojeb River which defines its boundary with the Oromia Region, Jimma zone, on the northeast by Hadiya and Tembaro zone In Central Ethiopia Regional State, and at the east with the aid of using Wolayita Zone; the Omo River defines its eastern and southern boundaries. The place of job of Dawuro is Tarcha. Tarcha is located at 70 14' north range and 370 5' east longitude and 1200m to about 1450m above sea level. Tarcha is 505 km from Addis Ababa through Jimma, and 325 km through Wolayita Sodo. Former the area was referred as kullo konta Awraja under Keffa kifle hager. But the society itself prefers to be called the Dawuro which means “heroic people”. Their native language is Dawurotsuwa which belongs to the omotic family (Admasu Abebe, 2014). Dawuro carries many vacationer attractions. The newly constructed Halala Kela Luxury Resort is positioned at Gilgel Gibe III Dam in Loma (woreda) of Dawuro zone. Based Census (2007), this zone has a complete population of 489,577, of whom 249,263 are male and 240,314 women (Tafesse Ololo, 2017)

**The Geographical location of Dawuro zone**

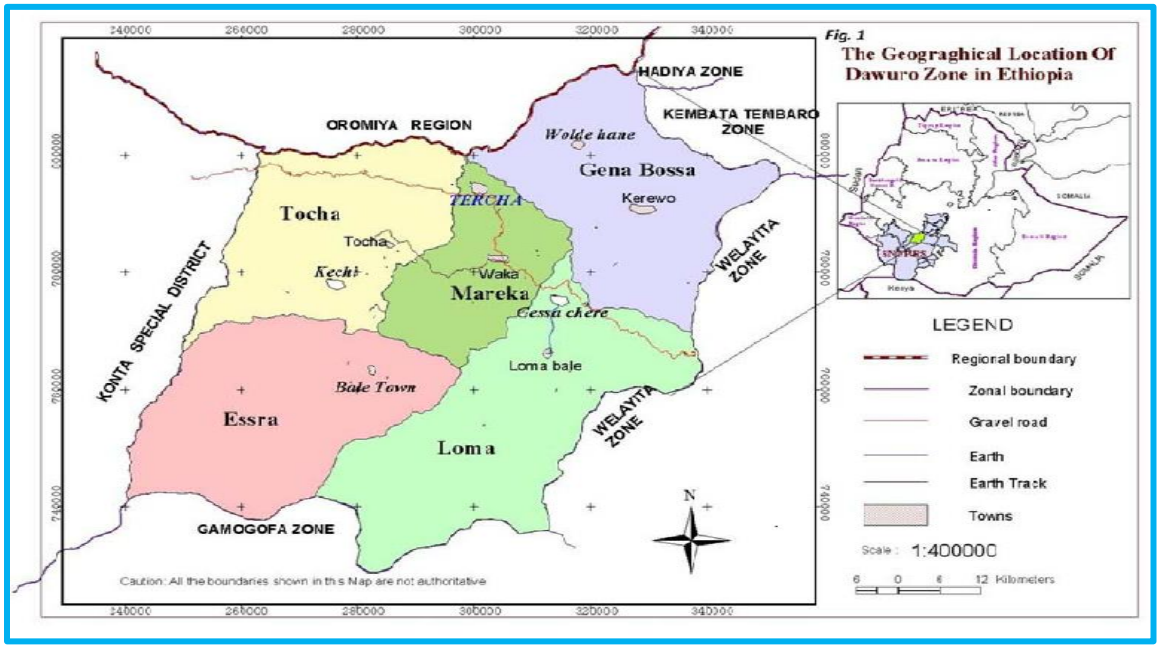


**Figure 3:1 Geographical location of Dawuro zone**

Source: Adopted Admasu Abebe, (2014)

## 3.2 Research Design

A research design is a conceptual framework that guides data collection, measurement, and analysis (Creswell, 2018). The study was used a descriptive survey research design, which aimed to assess the budget utilization in Dawuro zone. Descriptive survey research method was selected to help researcher to give answers to the basic questions and enables to describe determinants of budget utilization at Dawuro zone and also descriptive research design was used when the researcher has no control over the variables; the researcher can only report what has happened or what is happening. In addition to these a descriptive research design was chosen to explore the association and correlation between dependent variable (budget utilization) and independent variables (Auditing and monitoring, public procurement, tax collection capacity, government policy and inflation rate) and also it is crucial to describe the budget utilization practices and factors that determine them with in public administration offices of Dawuro zone. This study was used both qualitative and quantitative approaches.

The study was used Qualitative approach in order to collect data through open ended questionnaire and quantitative approach was used to collect data through survey questionnaire, numerical data on budget utilization patterns, allow statistical analysis and to generalize finding. Because the researcher felt that the use of quantitative and qualitative approaches in combination provides a better understanding of research problem than either approach alone.

## 3.3 Target Population

The target population is also called the universe. A through description of the salient characteristics of the population is required to clarify which target groups should be sampled and to which groups the research results can be generalized (Uusitalo, 2014). The target populations for this study were the 13 financial sectors with budget holders in the Dawuro zone which found within SWER. These sectors are the zone finance office, 10 Woredas treasury office, and two city finance office, which receive budgets and submit financial and non-financial reports. This study used multi –stage sampling.

In this study, out of 10 Woredas, 2 city administrations and zone finance offices, 3Woredas, 1 city administration and zone finance office was selected on basis of simple randomly because of budget users are homogeneous in nature .The selected areas are Marka woreda finance and economic development department, Essera woreda finance and economic development department, Tocha woreda finance and economic development department, Tercha city administration finance and economic development department and zone finance and economic development department. Secondly the study also purposively selected budget related employees from each selected budget holding public finance offices. The employees Participated in this study are planning and budgeting professionals, budget coordinators, buyers, office managers, human resources departments, auditors and accountants, and budget managers. The total population of 370 employees and officials' financial sector whose tasks directly related to budgetary issues. Thirdly the study also used proportionate stratified sampling technique to ensure that the employees of each sampled woreda / city administration are equally represented. This technique was preferred because it helps minimize bias when dealing with groups. This stratum includes sectors including the Dawuro Zone Finance office, the Marka Woreda Finance office, the Essera Woreda Finance office, Tocha woreda finance office and the Tercha city administration Finance office.

## 3.4 Data Type and Sources

To collect relevant information for the study, the study primarily relies on primary sources of data supplemented by secondary data. Primary data was gathered from finance head, purchaser, budget planning and coordinator, accountants and auditors. While secondary data was gathered from document analysis (audited annual financial reports from 2011-2015)

## 3.5 sampling techniques and size

Sample size refers to the number of items included in a study. A larger sample provides more accurate conclusions, but recruiting additional participants is time consuming and costly (Creswell et al., 2018). In this study, (Yamane, 1967) provides a simplified formula to calculate the sample size of representative officials and employees of selected budget holder in order to obtain appropriate responses through the questionnaire. The formula was expressed as: It assumes a Probability of error value of 0.05 and a confidence level of 95 percent.

$$\left[n = \frac{N}{1+N(e)^2}\right], \quad \text{where :( n): sample size}$$

(N): the population size (e): is sampling error (0.05)

Therefore in a population of 370 target population, $\frac{370}{1+370(0.05)^2}$ = 192(selected sample size). The sampling technique is defined as the way of drawing inferences about a population without studying the entire population under study (Creswell John, 2009).These techniques differ in terms of cost, effort, and extent to which they were generated samples that are fair representations of the general population. To recruit participants for this study, proportionate stratified random sampling was used. The study divided the respondents into four stata on basis of regular work they engaged. These strata's are zone finance office, Marka Woreda finance office, Essera Woreda finances and Tercha city administration finance office.

To give equal sample selecting for budget holding sectors proportionally = n/N x100% which equals to 192/370x100% =52% for each stratum. Accordingly, 48 respondents from Dawuro Zone FEDD, 38 from Marka woreda FEDD, 34 from Essera woreda FEDD, 35 from Tocha woreda FEDD, and 37 from Tercha city administration FEDD was selected to constitute a total of 192 sample respondents.

**Table 3:1 Sample design**

| Strata | Total population | Sample size |
|---|---|---|
| DZFEDD | 92 | 48 |
| Marka woreda FEDD | 74 | 38 |
| Essera woreda FEDD | 65 | 34 |
| Tocha woreda FEDD | 68 | 35 |
| Tercha city administration FEDD | 71 | 37 |
| Total | 370 | 192 |

Source: own survey, (2024)

## 3.5 Method of Data Collection

The primary data was collected through questionnaires consists, both close and open ended questions. A five point Likert scale ranging from strongly disagrees to strongly agree was used in measuring the extent of the responses provided. Moreover the questionnaires were prepared in English. In addition to these the questionnaires also consists of three sections; the first sections contain the background information of respondents, second section contain the agreement and dis agreement level of respondents on the given questions and third section contains open ended questions And secondary data was collected through reviewing audited annual financial report of Dawuro zone finance and economic development department from 2011-2015 EC, document analysis of BOFED and WOFED, proclamations, and regulations to support primary data.

## 3.6 Method of Data Analysis and Interpretations

The data collected through close ended was analyzed and presented using descriptive statistics. Secondary data from audit reports, analyzed using tables and graphs & open ended questionnaires were analyzed though qualitatively. Socio-demographic data was summarized by frequency, percentage, tables; graphs were used for description of the data as appropriate.

In order to draw meaningful conclusions the various variables was coded and keyed into Statically Package for Social Science version 26 to measures of the central tendency (means), measures of dispersion (standard deviation), distributions (percentages, frequencies) and Multiple linear regression model used.

## 3. 7 Model Specification

The study was adopted multiple linear regression model to test the effects of statistical significance of determinants on budget utilization in public administration offices in case study of Dawuro zone. According to Kothari (2004), when study includes two or more independent variables, multiple linear regressions is appropriate.

The study used multiple linear regressions in order to show changes in one or more independent variables are associated with changes in the dependent variables and help the study to understand the strength and direction of these relationships. In addition to this multiple linear regression valuable to analyze the relationship between dependent variable( budget utilization) and multiple independent variables (auditing and monitoring, government policy, public procurement, tax collection capacity, and inflation rate). Addition to this multiple linear regression is most important to test hypothesis. To determine the relationship between the variables, multiple linear regression model is formulated which is discussed below. The multiple linear regression formula is applied that is;

**$YT = \beta 0 + \beta 1 x1t + \beta 2 x2t + \beta\ 3x3t \cdots + \beta kxkt + ut\ (\varepsilon)$**

t =1, 2... T. So the variables x1t, x2t... xkt are a set of k−1independent variables which are thought to influence, and the coefficient estimates

β1, β2... βk are the parameters which quantify the effect of each of these independent variables on y and ut are residual term.

Depending on the theoretical model and the measurement of the variable shown as conceptual frame work above, the empirical model that this study will be employed as follows:

**$BUt = \beta 0 + \beta\ 1ADM + \beta 2\ PP + \beta 3\ TCC + \beta 4GP + \beta\ 5IR + ut(e)$**

**Where** **BUt**= Budget utilization **TCC**=Tax collection capacity

**ADM**=Auditing and monitoring **GP**= Government policy

**PP**=Public procurement **IR**= Inflation rate

**β0=** a constant that represents the budget utilization when every independent variables are zero

**e** =the error term

**β 1… β5=** is the coefficient, in which every marginal change in variables on budget utilization correspondingly.

### 3.7.1 Operational definition of variables

The dependent variable in this study was budget utilization. Multiple variables affect how the budget is used. Based on this study, the capacity to collect taxes, government policy, inflation rate, public procurement, auditing and monitoring, and tax collection capability all affect how much of a budget is utilized. It should be emphasized that data availability was taken into consideration, and the chosen factors have been stated many times as drivers of budget utilization in the empirical literature. The table below outlines an operational definition for the hypotheses, dependent and independent variables.

**Table 3:2 operational defamations of variables**

| Variables | Code | Type of variable | Operational Definition | Unit Measurement | Sign |
|---|---|---|---|---|---|
| **Budget utilization** | BU | Dependent | The percentage of allocated funds that are actually spent within a given time, typically annually. | In these study budget utilization is measured on basis of its budget line , payment system, capacity to supervision and feedback, control mechanism, auditing and monitoring ability, tax collection capacity ,government policy ,inflation rate and procurement mechanism. | Depends |

| | | | | | |
|---|---|---|---|---|---|
| **Auditing and monitoring** | ADM | Independent | The extent and effectiveness of internal and external oversight mechanism employed to ensure compliance with budget allocation and spending regulation. | Measured on basis of frequency and thoroughness internal auditing, presence of external auditing bodies and adherence to audit recommendations | Positive |
| **Tax collection capacity** | TCC | Independent | The ability of government to effectively collect revenue through taxation, reflecting its administrative efficiency and compliance behavior of tax payer. | Measured on basis of budget revenue targets, effectiveness of tax administration measure, performance of inland revenue, compliance behavior of taxpayer and tax evasion levels. | Positive |
| **Public procurement** | PP | Independent | Inefficiencies, corruption and lack of transparency in public procurement processes that can affect budget utilization | Measured on basis number of procurement irregularities, transparency index, and stakeholders' perception, ability of bidder, cost overruns, and suppliers in ability. | Positive |

| | | | | | |
|---|---|---|---|---|---|
| **Government policy** | GP | Independent | The set of regulation, directives and decision formulated by government authorities that influence budgetary decision and spent priorities directly or indirectly. | By assessing the alignment of budget allocation and expenditure with stated government policy objectives through document analysis and expert evaluation. | Positive |
| **Inflation rate** | IR | Independent | The rate at which general prices of the goods rise reflecting a decrease in purchasing power of a currency. | Measured on basis of tracking changes in the cost of living overtime, forecasting capacity of local inflation rate with national, public sectors ability to avoid inflation rate. | Negative |

Source: own survey, (2024)

## 3.8 Ethical consideration

All research follows certain ethical principles and professional norms. The goal and objectives of a research study can only be improved by following to ethical norms. The study's data was gathered by a questionnaire from selected budgets using financial offices on basis the respondents' freedom of choice, and the document analysis was done in accordance with the approval of top managers and responsible persons in selected financial sectors. In order to boost respondents' confidence, the researcher also received a letter from the research coordinator of Jimma University College of Business and Economics. A researcher instructed respondent not to write Name in order to protect confidentiality.

Data was examined based on respondent's response. Lastly, a reference page serves to cite any other authors' materials that were incorporated into the study.

## 3.9 Reliability Test

Reliability refers to the degree of correctness of the data. The extent to which a measuring instrument provides a specific answer when the thing being measured has not changed is defined as its freedom from random error (Creswell, 2014).

Internal consistency measures include item-to-total correlation, split-half reliability, Kuder-Richardson coefficient, and Cronbach's α. According to Roberta and Alison (2015), Cronbach's α is the most often used test to determine an instrument's internal consistency. Roval et al. (2014), also advocated Cronbach's alpha as a useful instrument for analyzing internal consistency and assessing variable reliability. The researcher evaluated the internal consistency of variables used to collect respondents' perspectives on research issues using Cronbach's alpha, as previously discussed. The data's dependability was validated by asking all respondents to complete the likert-scale items meant to fulfill the research purpose.

**Table 3:3 Reliability Test**

| NO | Determinants of budget utilization | Number of Attributes | Cronbach's alpha |
|---|---|---|---|
| **1** | Auditing and monitoring | 6 | 0.988 |
| **2** | Public procurement | 6 | 0.993 |
| **3** | Tax collection capacity | 5 | 0.993 |
| **4** | Government policy | 6 | 0.975 |
| **5** | Inflation rate | 5 | 0.876 |
| **6** | Budget utilization | 8 | 0.928 |
| **Overall reliability** | | 36 | 0.983 |

Source: own survey, (2024)

# CHAPTER FOUR

# RESULT AND DISCUSSION

This chapter deals with the result of the findings and discussions of data acquired from various sources on the determinants of budget utilization in public administration offices in the Dawuro zone. These data are divided into two parts: the first deals with the characteristics of the respondents, which describe the study population by gender, age group, marital status, educational background, and service year, and the second deals with the analysis and discussion of the study, which was gathered through a questionnaire, and secondary data.

This study included both quantitative and qualitative methods of analysis, and the report was presented in such a way that it answered the research questions raised in the study. In addition, the chapter discusses descriptive analysis statistics for dependent and independent variables, as well as results of assumption tests. All of these tests were performed to analyze the relationship between independent and dependent variables, the influence of independent variables on a dependent variable, and hypothesis testing to reject or accept, and the results are as follows.

Questionnaires were distributed to employees of zone, Woredas, and city administration finance offices in order to find out the factors impacting budget utilization in public administration offices in Dawuro Zone. Employees responded as follows on budget utilization performance.

## 4.1 Descriptive statistics

### 4.1.1 Characteristics of the Respondents

The respondents used in this study are taken from sampled Woredas, city administration and zone finance office. All the responsible respondents including budget planning and control professionals, budget coordinators, purchaser, finance heads, finance officers, auditors and accountants were included.

### 4.2.2 Response rate

The findings are based on the responses of employee of those selected public finance Woredas with the help of structured questionnaires were sent to respondents in samples of 5 budget holders public finance office (Dawuro zone, Marka woreda, Essera woreda, Tocha Woreda, and Tercha city administration) as listed in Appendix 1.

To collect the data through questionnaire, 192 questionnaires were distributed to staffs of selected budget user financial sectors in the zone of which 183(95.3%) of questionnaires were returned back with completely filled. The returned questionnaires have 183(95.3 %) responses rate and hoped sufficient to analyze the data with it.

**Table 4:1 Response rate**

| Strata | Sample respondents | Actual respondents | Response rate (%) |
|---|---|---|---|
| DZFEDD | 48 | 48 | 100% |
| Marka woreda FEDD | 38 | 35 | 92% |
| Essera woreda FEDD | 34 | 32 | 94% |
| Tocha woreda FEDD | 35 | 33 | 94% |
| Tercha city administration FEDD | 37 | 35 | 94.9% |
| Total | 192 | 183 | 95.3% |

Source: own survey, (2024)

### 4.2.3 Demographic Characteristics of the Respondents in the organization

The demographic information of the respondents is shown in the section that follows. These include the respondent's position in public finance offices, qualification, age, marital status, educational attainment, and year of work experience. A planned question was asked to gather information on these areas, and the responses were then presented and examined as follows. The statistical software SPSS was used to process the survey results

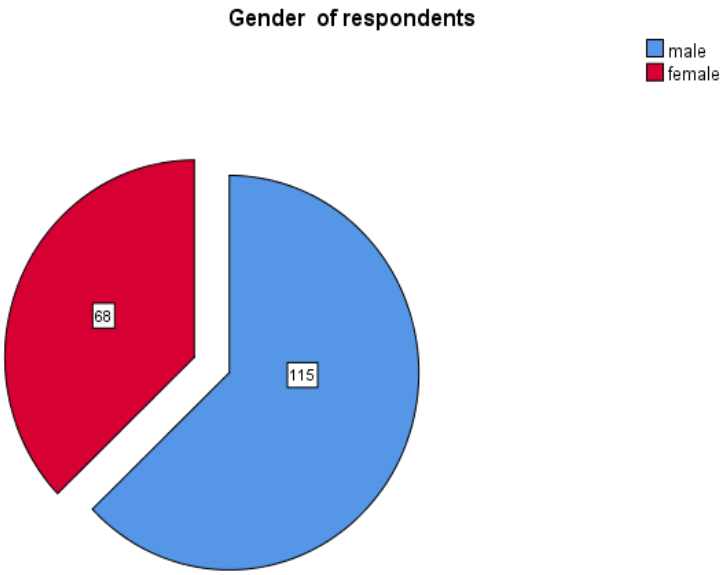


**Figure 4:1 Gender of respondent**

Source: own survey, (2024)

As it can be seen in the pie chart above , there were a large number of male respondents which accounts for 115(63.39%) and 68(36.61%) of female working on public finance office and at budget related issues budget at selected Woredas in Dawuro Zone. This shows most of the respondents are male.

**Table 4:2 Age of respondent's**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 18-30 | 58 | 31.7 | 31.7 | 31.7 |
| | 31-42 | 77 | 42.1 | 42.1 | 73.8 |
| | 43-60 | 48 | 26.2 | 26.2 | 100.0 |
| | Total | 183 | 100.0 | 100.0 | |

Source: own survey, (2024)

As observed from table 4:2, 58(37.1%) respondents age is grouped between 18-30 years old, 77 (42.1) respondent's age is between 31-42 years old and 48(26.2%) respondent's age is between 43-60 years old. This indicates majority of respondent's age were between 18-30 years old.

### Table 4:3 Educational levels of respondent's

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Diploma | 33 | 18.0 | 18.0 | 18.0 |
| | Degree | 111 | 60.7 | 60.7 | 78.7 |
| | masters and above | 39 | 21.3 | 21.3 | 100.0 |
| | Total | 183 | 100.0 | 100.0 | |

Source: own survey, (2024)

As prevailed in the table 4:3, regarding to educational levels of respondents 33(18%) of respondents are Diploma, 111(60.7%) of respondent's are fist degree holder and remaining 39(21.3) of respondents are masters and above education levels. This shows the majority of respondents in Dawuro zone public finance and selected Woredas, city administration and zone finance office employees whose tasks are related with budget issues are first Degree holders and also indicate the majority of respondents have budget utilization concepts.

### Table 4:4 Respondent's job experience

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 1-10 | 50 | 27.3 | 27.3 | 27.3 |
| | 11-20 | 55 | 30.1 | 30.1 | 57.4 |
| | 21-30 | 46 | 25.1 | 25.1 | 82.5 |
| | 31-40 | 23 | 12.6 | 12.6 | 95.1 |
| | above 40 | 9 | 4.9 | 4.9 | 100.0 |
| | Total | 183 | 100.0 | 100.0 | |

Source: own survey, (2024)

The purpose of table 4:4 is to assess job experiences of respondents in public finance office in Dawuro zone finance economic development department and sampled woreda finance and economic development department. Accordingly in Dawuro zone finance sector, the highest share which is 55(30%) goes to those who had experienced within the organization for 11-20 years, the next highest percentage of workers are 50(27.3%), was those who worked 1-10 years within organization, the third highest percentage of share which is 46(25.1%) of workers who had experienced within the organization for 21-30 years, a bit lower is 23(12.6%) and 9(4.9%) those who had experience of 31-40 years and above 40 years within the finance office respectively. This expresses the majority of respondents in Dawuro zone public offices and

sampled Woredas finance offices and whose tasks are directly related to budget issues had job work experience between 11-20 years.

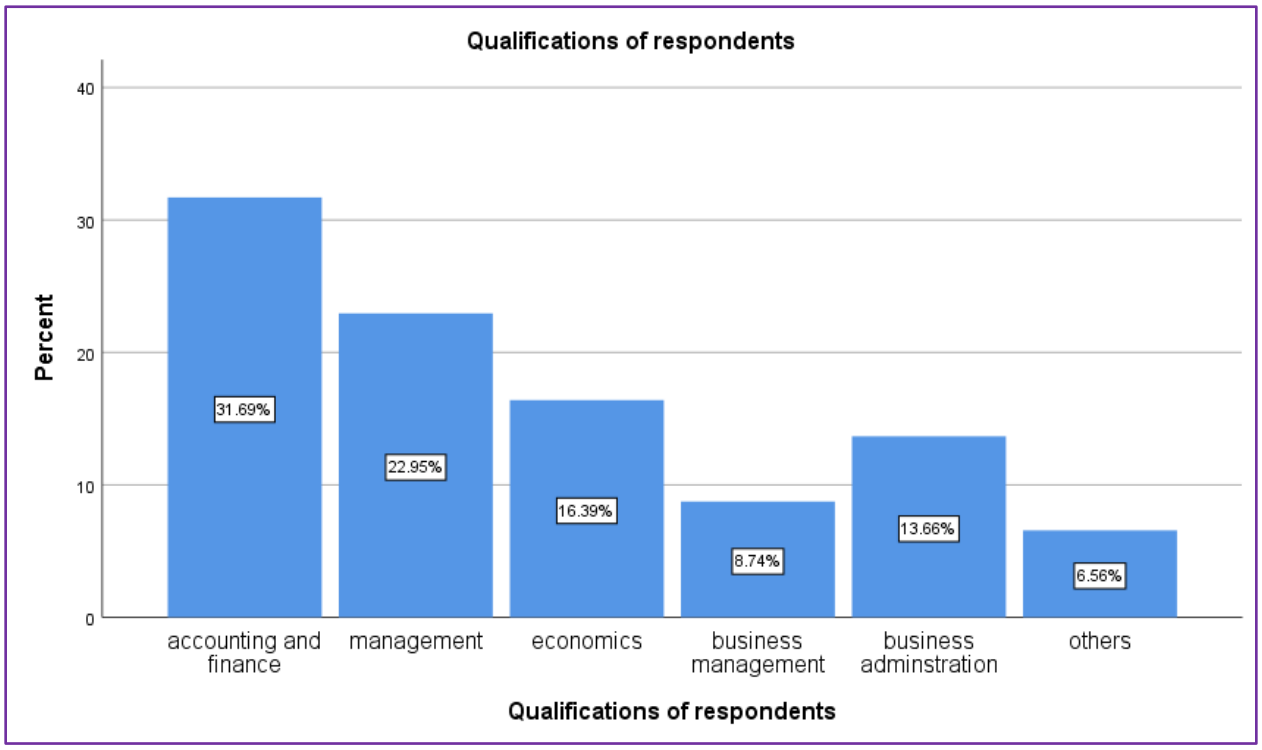


**Figure 4:2 Qualifications of Respondent'**

Source: own survey, (2024)

As showed on bar graph above, Qualification respondents were composed of from accounting and finance58 (31.69%), management 42(22.95), Economics 30(16.39%) , business management 16(8.74%) ,business admiration 25(13.66%) and others 12(6.56%). Here, majority of respondents studied Accounting, management and economics field respectively which shows the good assignment of professionals for their appropriate job in relation to public finance and budgetary related issue in the Dawuro zone finance &economic development department and sampled Woredas& city administrations finance &economic development department.

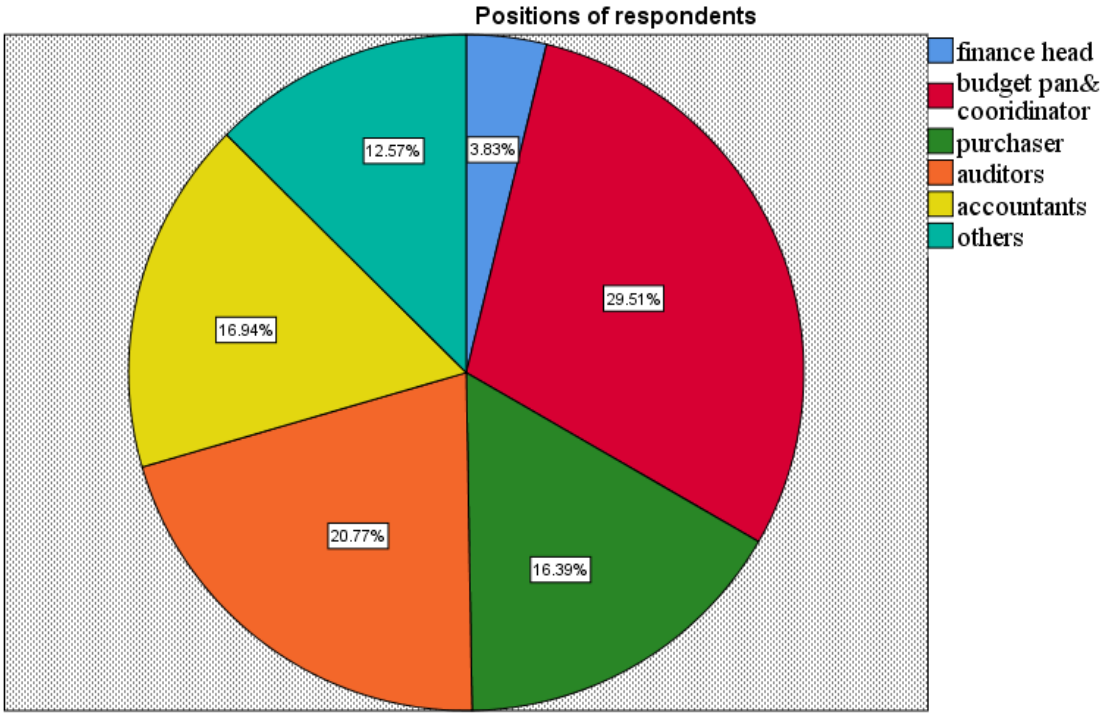


**Figure 4:3 Positions of respondents**

Source: Own survey, (2024)

As indicated in the pie chart above, among the 183 respondents who is 54 (29.51%) were budget planner and coordinator, 38(20.77%) were auditors, 31(16.94%) were accountants, 30(16.39%) were purchaser, 23(12.5%) were others and 5(3.83%) were finance heads of Dawuro zone and sampled Woredas public finance offices. This shows the most of respondents participated in this study are budget planner and coordinator, auditors , accountants ,purchasers , some other field respondents and finance heads, as we seen from most participants to least participates.

## 4.3 Descriptive analysis of budget utilization and their Determinants

The descriptive analysis is used to present the currently existing conditions and evaluates the efficiency and effectiveness of budget utilization based on questions of each variable determines the budget utilization aspects answered by employees of Dawuro zone public finance office and sampled woreda& city administration finance office employees whose daily task is directly related with budgetary issue. This descriptive analysis displays the mean values and standard deviation of the study various variables of interest.

As result, the composite mean value represents the average of all respondents' perceptions on specific questions of budget utilization and its determinants. While standard deviation represents how diverse respondents perceptions are for a given questions.

A high standard deviation , for example , indicates that the data spread out, implying that respondents have a wide range of opinion, whereas a low standard deviation represents that respondents' opinion close , whether positively or negatively. Based on these, the study's result means score value and standard deviation represented referring rule of thumb that the intervals for breaking the range in measuring variables captured with a five -point scale (that ranges from strongly disagree to strongly agree) is 0.8, which is found by dividing the difference between the maximum and minimum scores to maximum score (Roy, 2020). As result, calculated composite mean value ranging from 1 to 1.80 indicates strong disagreement, whereas the remaining ranges of 1.81 to 2.6, 2.61to3.4, 3.41to 4.2 and 4.21 to 5.00 represents the perception of disagreement, neutrality, agreement and strong agreement, respectively. Therefore, mean and standard deviation composite mean scores were calculated for each variable as follows:

### 4.3.1 Descriptive analysis of budget utilization and its determinants

The primary data collected from responsible employees to indicate the extent at which they agree with statements concerning budget utilization in the Dawuro zone.

**Table 4:5 Respondent's views on budget utilization in the Dawuro zone**

| **Questions related with budget utilization** | | | *Response rate in frequency &percentage* | | | | |
|---|---|---|---|---|---|---|---|
| | **Mean** | **Std. Deviation** | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| Your office uses the approved budget Based on its plan. | 1.77 | 1.02 | (96) 52.2% | (52) 28.4% | (20) 10.9% | (10) 5.5% | (5) 2.7% |
| There is always a problem of matching annual plan with actual expenditure in your department. | 1.91 | 0.88 | (66) 36.1% | (79) 43.2% | (26) 14.2% | (11) 6% | (1) 0.05 |
| Your office regularly tracks its budget utilization | 1.67 | 0.84 | (92) 50.3% | (70) 38.3% | (12) 6.6% | (7) 3.8% | (2) 1.1% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Payment is always made based on complete documentation and evidences. | 1.78 | 0.99 | (92) 50.3% | (52) 31.1% | (20) 10.9% | (10) 5.5% | (4) 2.2% |
| Your office always provides a fast, informative, and comprehensive budget implementation report. | 1.84 | 0.94 | (79) 43.2% | (69) 37.7% | (21) 11.5% | (12) 6.6% | (1) 1.1% |
| The planning and budget section regularly supervises and provides timely feedback to improve budget utilization. | 1.67 | 0.92 | (101) 55.2% | (55) 30.1% | (13) 7.1% | (13) 7.1% | (1) 0.05% |
| The current budget utilization and control of your office is sufficient. | 1.81 | 0.94 | (83) 45.4% | (66) 36.1% | (20) 10.9% | (12) 6.6% | (2) 1.1% |
| Budget expenditures are consistent with plans. | 1.72 | 0.91 | (92) 50.3% | (64) 35% | (15) 8.2% | (10) 5.5% | (2) 1.1% |
| **Cumulative mean and standard deviation** | 1.773 | 0.949 | Source: own survey, (2024) | | | | |

Budget line utilization provides a starting point to evaluate the target and expected performance. Effective budgeting procedures have been confirmed to have a positive effect on the stated budget lines (Mukaramo and Malenya, 2019). Budget utilization is a measure of resource used as intended during budget development, taking into account the organization's activities and objectives. It entails using budgetary control mechanisms to ensure that the resources given are used as intended (Rediat D, 2020). A budget utilization system should provide not only adequate spending control, but also effective and efficient use of resources in line with the budget set based on the activities on which this organization operates. As shown in the above table 4:5, study respondents expressed their opinions on each the question posed. As a result, the mean score value of 1.77 with std. deviation of 1.02, implies that respondents where strongly disagreed with the utilization of approved budget based on plan. This indicates that some unplanned

activities are carried out along with the planned and some planned activities are not performed in the zone.

The study asked whether face a problem of matching annual plan with actual expenditure in your department and respondents answers were disagree, with mean score of 1.91 and std. deviation of 0.88 implies that there is problem of matching planned budget with real expenses. As per the responses of respondents to the questionnaire your office regularly tracks its budget utilization and respondent's and the respondents answer were strongly disagree, with mean score of 1.67 and std. Deviation of 0.84, this expresses that the offices has no trends of daily budget utilization tracks and the office failed to follow up the budget utilization during a fiscal year. The study also asked Payment is always made based on complete documentation and evidences and respondents where strongly disagree with mean score of 1.78 and std. Deviation of 0.99. This explains us some of payments in Dawuro zone public finance office made without full document and perfect evidences. On other hand the Respondents also disagree with the questionnaire, your office always provides a fast, informative, and comprehensive budget implementation report with the mean score of 1.84 and std. deviation of 0.94. This implied that there were challenges that influence the finance offices to provide fast, informative and comprehensive budget utilization report.

Regarding the questions asked whether the planning and budget section regularly supervises and provides timely feedback to improve budget utilization, respondents implied strongly disagree with mean score value of 1.67 and with lower variation of std. deviation of 0.91, implying planning and budget sections doesn't undertook daily supervision and failure to provide up to date feedback. Concerning the question of whether the current budget utilization and control of your office is sufficient, the respondents implied disagreement with a mean score of 1.81 and a lower variation of std. deviation of 0.94. This finding indicates that the current budget usage and control is not enough in order to utilize public fund successfully. Finally, the study was asked whether Budget expenditures are consistent with plans; however the mean score value of respondents was 1.72 with a lower std. deviation at 0.91, explains the respondents responded strongly disagree. This implies that actual expense does not match with its budgeted.

To sum up, the overall budget utilization efficiency is with the mean score of 1.773 and SD of 0.949, which indicates that the average response by respondents is concentrated around strongly disagree (1). Therefore, we can conclude that the budget utilization efficiency unsuccessful at Dawuro zone.

**Table 4:6 Respondent's views on auditing and monitoring**

| **Questions related with auditing and monitoring** | | | *Response rate by frequency & percentage* | | | | |
|---|---|---|---|---|---|---|---|
| | **Mean** | **Std. Deviation** | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| Auditing performance is not a challenge for budget utilization in your sector. | 1.70 | 0.91 | (90) 49.2% | (73) 39.9% | (9) 4.9% | (6) 3.3% | 5 2.7% |
| Each budget activity in your sector has been effectively evaluated. | 1.86 | 0.91 | (73) 39.9% | (73) 39.9% | (29) 15.8% | (4) 2.2% | (4) 2.2% |
| Your office has the practice of regular follow up on its budget utilization and evaluation | 1.70 | 0.87 | (92) 50.3% | (65) 35.5% | (14) 7.7% | (12) 6.6% | 0 |
| Budget utilization is always audited based on full documents and evidence from the revenue office. | 1.78 | 0.93 | (82) 44.8% | (76) 41.5% | (11) 6% | (10) 5.5% | (4) 2.2% |
| Your office's financial statements are frequently audited by an Independent auditor. | 1.72 | 0.82 | (84) 45.9% | (74) 40.4% | (17) 9.3% | (7) 3.8% | (1) 0.05% |
| Internal auditors well conduct performance auditing to evaluate effectiveness of budget utilization. | 1.95 | 1.07 | (76) 41.5% | (66) 36.1% | (22) 12% | (12) 6.6% | (7) 3.8% |
| **Cumulative mean and standard deviation** | 1.7906 | 0.924 | Source: own survey, (2024) | | | | |

The real amount of public spending from the expenditure budget is examined for appropriateness (Abdu Muhammed and Melese Asfaw, 2014).Auditing and monitoring is a most important for effectiveness of budget that shows the direction for organization how the organization should conduct activities based on priorities, resource time and skills (Geletaw Demera, 2017).

As shown in the above table 4:6, study respondent's expressed their opinions on each of the question posed. As result, the mean score value of 1.70 with std. deviation of 0.91, implies the respondents were strongly disagree to the question of Auditing performance is not a challenge for budget utilization in your sector. This indicates the auditing performance is a problem for budget utilization.

The study also asked respondents whether each budget activity in your sector has been effectively evaluated or not; respondents implied a mean score value of 1.86 and std. deviation of 0.91 indicates the respondents were disagree. This implies that, the finance office doesn't effectively evaluate each budget activities. Concerning the question of whether your office has the practice of regular follow up on its budget utilization and evaluation, respondents implied a mean score value of 1.70 with lower std. deviation at 0.87 , implying respondents response was strongly disagree. This implied that the finance offices are failing to the practice of regular follow up on its budget utilization and evaluation.

The study asked respondents whether Budget utilization is always audited based on full documents and evidence from the revenue office or not; respondents implied a mean score value of 1.78 and lower variation of std. deviation at 0.93 indicates that they are strongly disagreed. This implied that budget utilization in the Dawuro zone public finance offices doesn't audit budget utilization on the basis full documents and evidences from revenue offices. The study also asked whether your office's financial statements are frequently audited by an Independent auditor, respondents implied a mean score value of 1.72 and std. deviation of 0.82, implying respondents was strongly disagree. This indicates us the offices financial statements doesn't audited by independent external auditors. Finally, the study asked the question whether the internal auditors well conduct performance auditing to evaluate effectiveness of budget utilization; in this regard the mean score value 1.95 with highest std. value of 1.07 implied their disagreement which means the internal auditors doesn't well conducting performance auditing to evaluate budget usage.

To conclude, the overall mean and SD of auditing and monitoring is 1.7906 and 0.924 respectively which indicate that the average response of respondents concentrated around strongly disagree (1). Therefore, we can conclude that based on this the budget utilization was affected by auditing and monitoring in the Dawuro zone.

**Table 4:7 Respondents views on public procurement**

| **Questions related with public procurement** | | | *Response rate by frequency & percentage* | | | | |
|---|---|---|---|---|---|---|---|
| | **Mean** | **Std. Deviation** | **Strongly Disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| Your office procurement procedure is not complicated. | 1.77 | 0.90 | (84) 45.9% | (69) 37.7% | (22) 12% | (4) 2.2% | (4) 2.2% |
| In Your office there is no Failure of bid repeatedly. | 1.75 | 0.93 | (88) 48.1% | (70) 38.3% | (8) 4.4% | (16) 8.7% | (1) 0.05% |
| Your offices has a skilled bidders and Public access to complete, reliable and timely procurement information | 1.89 | 1.00 | (77) 42.1% | (67) 36.6% | (26) 14.2 % | (7) 3.8% | (6) 3.3% |
| Suppliers' don't failure to provide goods and services on time as agreed. | 1.70 | 0.84 | (87) 47.5% | (74) 40.4% | (13) 7.1% | (7) 3.8% | (2) 1.1 % |
| There is enough human resource capability (knowledge and skills) to evaluate bids in accordance with guidelines. | 1.81 | 0.93 | (79) 43.2% | (77) 42.1% | (12) 6.6% | (12) 6.6% | (3) 1.6% |
| Delay in payment can't lead to cost overruns | 1.71 | 1.01 | (99) 54.1% | (59) 32.2% | (12) 6.6% | (5) 2.7% | (8) 4.4% |
| **Cumulative mean and Standard deviation** | 1.7751 | 0.941 | Source: own survey, (2024) | | | | |

The difficult method for the buying of goods complicates the purchasing process while also leading to underutilization of budgetary funds (Helen, 20202). According to Martha Seife (2015), Public procurement is the acquisition of goods and or services at the high-quality feasible price of ownership, with inside the right quantity and super at the right time, with inside the proper place, for the direct gain or use of government, company or individuals, commonly through a contract.

As shown above table 4:7, the study respondents provided their perspectives on each of question asked. As result, the mean score of 1.77 with a std. deviation of 0.90, implied respondents strongly disagreement on whether your office procurement procedure is not complicated or not. This expresses us the offices procurement process is complex. The study also raised the same question of whether in your office there is no Failure of bid repeatedly or not; in this regard, respondents indicated strongly disagreement at mean score of 1.75 with lower std. deviation 0.93. This implies that in the Dawuro zone public finance offices their repeatedly failure of bid. Regarding the question of whether your offices have a skilled bidders and Public access to complete, reliable and timely procurement information or not , respondents implied a mean score value of 1.89 with a highest std. deviation of 1.00, implies the respondents disagreement. This indicates that the office have failed to find skilled bidders, public access reliable and timely procurement information.

The study also asked the question of whether Suppliers' don't failure to provide goods and services on time as agreed; respondents with the mean score value of 1.70 with a std. deviation value of 0.84explains the respondents was strongly disagreed. This means supplier's failed to provide goods and services up on agreement. In addition to this the study also raised question on There is enough human resource capability (knowledge and skills) to evaluate bids in accordance with guidelines; respondents with mean score value of 1.81and std. deviation 0.93; indicates respondents were negative or disagree. This means the office have no human resource to evaluate the in the accordance with its rule. Finally, the study asked whether in your office the Delay in payment can't lead to cost overruns; the mean score was 1.71 with the highest std. deviation of 1.01 and responses were negative or disagreement. This shows that the delay in payment leads to cost overruns in the Dawuro zone public finance offices.

To conclude, the overall mean and SD of public procurement is 1.7751 & 0.941 respectively which indicates that the response of a majority of respondents is strongly disagree (1). Therefore, we can conclude that the budget utilization efficiency is affected by public procurement at Dawuro zone public finance offices.

**Table 4:8 Respondents views on tax collection capacity**

| **Questions related with tax collection capacity** | | | *Response rate by frequency & percentage* | | | | |
|---|---|---|---|---|---|---|---|
| | **Mean** | **Std. Deviation** | **Strongly Disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| The Woredas inland revenue collects taxes in accordance with the woreda/zone plan. | 1.89 | 1.03 | (77) 42.1% | (76) 41.5% | (7) 3.8% | (19) 10.4 % | (4) 2.2% |
| Ineffectiveness of Domestic revenue collection not affects Budget utilization. | 1.81 | 0.89 | (83) 45.4% | (59) 32.2% | (33) 18% | (7) 3.8% | (1) 0.05 % |
| Lack of awareness of taxpayers does not have impact on budget utilization. | 2.01 | 1.22 | (86) 47% | (49) 26.8% | (15) 8.2% | (25) 13.7 % | (8) 4.4% |
| There is clear information for taxpayers and stakeholders on the timetable and how to pay taxes. | 2.08 | 1.02 | (60) 32.8% | (74) 40.4% | (25) 13.7% | (22) 12% | (2) 1.1% |
| Corruption is not the reason for the poor performance of Inland revenue, which affects budget utilization. | 1.79 | 1.19 | (105) 57.4% | (47) 25.7% | (6) 3.3% | (14) 7.7% | (11) 6% |
| **Cumulative mean and standard deviation** | 1.9202 | 1.080 | Source: own survey, (2024) | | | | |

The successful collections of internal revenue have a positive and significant impact on budget utilization (Charles Kipsang, 2015). Tax collection capacity is one of most important factor that raise the revenue level required for economic growth and development of local government(Arshalo Arkale , 2020). As shown in the table 4:8, the respondents provided their opinions on each of question posed, resulting in a mean score value of 1.98with a higher variation of standard deviation at 1.03. Respondents were disagreed on whether Inland Revenue collects taxes in accordance with the woreda/zone plan. This explains that the Dawuro zone inland revenue collection is not consistent with its plan. The study also asked respondents whether the Ineffectiveness of Domestic revenue collection not affects Budget utilization or not; the Respondents mean score value was 1.81 with lower std. deviation of 0.89, implying respondents was disagree. This means that the Ineffectiveness of domestic revenues collections is affecting budget utilization at Dawuro zone. Regarding the question Lack of awareness of taxpayers does not have impact on budget utilization; respondents implied a mean score value of 2.01 with highest std. deviation of 1.22, implying respondents revealed disagree. This implied that the lack tax payer's awareness has impact on the budget utilization in the Dawuro zone. The study also asked respondents there is clear information for taxpayers and stakeholders on the timetable and how to pay taxes; the respondents response was disagreement with mean score value of 2.08 and the std. deviation of 1.02. This indicates that the taxpayers have no access to clear information, nor are they obtaining adequate time or funds.

Lastly, the study asked whether Corruption is not the reason for the poor performance of Inland Revenue, which affects budget utilization; the mean score was 1.79, with the highest std. deviation of 1.19 and response were negative or disagreement. This shows that the corruption is one of reason for poor performance of Inland Revenue that affects budget usage in the Dawuro zone. The government does not fully pay the annual budget given to each sector, but rather a portion is funded by taxes collected by the sector itself. However, the manager stated that taxes are not always collected as expected due to taxpayers failing to pay for government specials when new regulations were implemented. Deferred taxes have an impact on current fund use. Therefore we, conclude that the budget utilization is affected by Inland Revenue collection capacity at Dawuro zone.

To sum up, the overall tax collection capacity is with mean score of 1.9202 and SD of 1.080. This explains us the majority of respondents responded disagree. Therefore we, conclude that the budget utilization is affected by tax collection capacity at Dawuro zone. In addition to the previously mentioned study, respondents in open-ended questions also stated that the government allocates budgets based on revenue collected by the zone.

**Table 4:9 Respondents views on government policy**

| **Questions related with government policy** | | *Response rate by frequency & percentage* | | | | | |
|---|---|---|---|---|---|---|---|
| | **Mean** | **Std. Deviation** | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| The budget for the organization is planned in accordance with the country's budget use policy. | 1.86 | 0.91 | (71) 38.8% | (81) 44.3% | (20) 10.9% | (7) 3.8% | (4) 2.2% |
| Every budget allocation is based on the policy requirements of the sectors. | 1.76 | 0.90 | (83) 45.4% | (75) 41% | (13) 7.1% | (9) 4.9% | (3) 1.6% |
| The organization's budget utilization is examined on a regular basis to ensure that it is consistent with country policy. | 1.78 | 0.089 | (80) 43.7% | (74) 40.4% | (21) 11.5% | (4) 2.2% | (4) 2.2% |
| Budget utilization policies are effectively applied in the organization. | 1.74 | 0.84 | (82) 44.8% | (76) 41.5% | (15) 8.2% | (9) 4.9% | (1) 0.05% |
| The policy allows the implementation of the budget use to be flexible in case of unique implementation | 1.74 | 0.85 | (82) 44.8% | (78) 42.6% | (13) 7.1% | (8) 4.4% | (20) 1.1% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| requirements. | | | | | | | |
| All funds utilization situations that arise within the organization are supported by the country's fiscal policies. | 1.80 | 0.99 | (85) 46.4% | (69) 37.7% | (15) 8.2% | (8) 4.4% | (6) 3.3% |
| **Cumulative mean and standard deviation** | 1.7851 | 0.989 | Source: own survey, (2024) | | | | |

The effective application of government policy is one of significant factor that affects budget utilization (Dinkinesh Bedasa, 2019) and also the study carried out by Hashim Tune (2019), suggests that proper following of government financial regulation has positive impact on budget utilization. As depicts on above table 4:9, the study participants provided their perspectives on each of question raised. As a result, the mean score value of 1.86 with the lower std. deviation of 0.91, indicated that respondents disagreed with the question of whether the budget for the organization is planned in accordance with the country's budget use policy or not. This implies that the organizations budget policy is not aligned with the country budget usage policy. The study also asked respondents every budget allocation is based on the policy requirements of the sectors; respondents mean score value of 1.76 and std. 0.90, indicated negative responses or strongly disagreement. This implies that some of budgets are allocated not on basis of policy requirement of sectors.

Concerning the question of whether the organization's budget utilization is examined on a regular basis to ensure that it is consistent with country policy or not respondents implied a mean score of 1.78with the std. deviation of 0.89, implied negative or strongly disagreement. This implies that the organization have a weak budget utilization examination in order to consistent the organization budget utilization policy with country budget utilization policy. Also the study asked the participants whether the budget utilization policies are effectively applied in the organization. The respondents with the lowest mean score value of 1.74 and std. value of 0.84, explains that respondents was disagreed. This explains us the Dawuro zone finance office has short coming with effective application of budget usage policies with in the public organization.

Regarding to the question of whether the policy allows the implementation of the budget use to be flexible in case of unique implementation requirements; respondents indicated strongly disagreement with a lower mean score value of 1.74 and with std. deviation of at 0.85. This explains that the organization policy not allows execution of budget use to be flexible in unique requirements. Lastly, the study asked all funds utilization situations that arise within the organization are supported by the country's fiscal policies; the mean score of respondents was 1.80 and std. deviation of 0.99, were response of disagreement or negative. This shows that the organizations fund utilization is out of country fiscal policy.

In general as shown in the table the mean score of all responses for the all items under the budget utilization policy have been evaluated to be in bad condition. This demonstrates that the organization's budget is prepared based on the sector proposal rather than the national budget usage strategy. Not every budgetary allocation complies with the sectors' policy standards. The organization's use of its budget is not routinely assessed to see if it is compliant with national policy. The organization's implementation of the policies pertaining to budget use is inadequate. According to the findings of the interview and the analysis of the documents, there is a budget usage policy at the sectoral, woreda, and regional levels in paper, but it is not really taken into account when creating and using the budget.

The overall mean and SD of government policy is 1.7851 and 0.989 respectively which indicates the Respondents were disagreeing. Therefore we conclude that the government policy's affects the budget utilization practices at Dawuro zone.

**Table 4:10 Respondents views on inflation rate**

| **Questions related with inflation rate** | | *Response rate by frequency & percentage* | | | | | |
|---|---|---|---|---|---|---|---|
| | **Mean** | **Std. Deviation** | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| Budget utilization is planned to forecast the country's inflation rates. | 2.33 | 1.45 | (80) 43.7% | (38) 20.8% | (3) 1.6% | (47) 25.7% | (15) 8.2% |
| There was an expected rate of inflation between the budget's | 2.28 | 1.44 | (88) 48.1% | (28) 15.3% | (2) 1.1% | (56) 30.6% | (9) 4.9% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| planning and implementation. | | | | | | | |
| The budget allocated by the government takes into account the country's inflation rate. | 2.24 | 1.45 | (86) 47% | (38) 20.8% | (4) 2.2% | (38) 20.8% | (17) 9.3% |
| Inflation rates in the entire nation can be predicted. | 2.37 | 1.39 | (74) 40.4% | (40) 21.9% | (5) 2.7% | (55) 30.1% | (9) 4.9% |
| The public sector controls inflation in order to avoid unplanned budgeting at the administrative level. | 2.53 | 1.48 | (66) 36.1% | (41) 22.4% | (12) 6.6% | (40) 21.9% | (24) 13.1% |
| **Cumulative mean and standard deviation** | 2.35 | 1.44 | Source: own survey, (2024) | | | | |

Inflation is the general increase in the prices of goods and services in an economy. Inflation is an important macroeconomic concept that refers to a continuous increase in the general price level of goods and services in an economy over a certain period of time (International Monetary Fund, 2020). Inflation reduces the purchasing power of money (World Bank, 2020).

As shown in the above table 4:10 indicates, for the question of whether the Budget utilization is planned to forecast the country's inflation rates, the average mean score value of 2.33 with highest std. deviation of 1.45, implied respondents disagree. This indicates that the budget utilization in the Dawuro zone finance offices not planned with forecasting national inflation rates. Also study asked the question of whether there was an expected rate of inflation between the budget's planning and implementation; respondents responses was disagree with average mean score of 2.28 and with highest std. deviation of 1.44. This represents that there was existence of unexpected rate of inflation between budget planning and implementation phase. In accordance with this it is difficult to perform tasks with initial budgets. In addition to this the study also has asked whether the allocated budget by the government takes into account the country's inflation rate or not; the responses of participants with mean score value 2.24 and with highest std. deviation of 1.45, respondents implied disagree. This indicates the government budget allocation in the Dawuro zone failed to takes into account the country's inflation rate.

In concerning whether Inflation rates in the entire nation can be predicted, respondents implied a mean score value of 2.37 and std. deviation of 1.39, implying respondents response was strongly disagree. This shows the entire nation inflation rate can't be predicted. Finally, the study asked whether the public sector controls inflation rates in order to avoid unplanned budgeting at the administrative level; in this regard the mean value of 2.53 with highest std. deviation of 1.48 , implying the respondents response was disagree which means the public sectors can't control inflation rate to avoid unplanned budget at administrative level.

To sum up, the overall mean score and SD of inflation rate is 2.3563 & 1.445which indicates the Respondents were disagreed. Therefore, we can conclude that the inflation rate affects budget utilization practices of Dawuro zone. In addition to this the Respondents also explained in the open ended the inflation rate is a key difficulty in budget implementation, making it harder to follow plans. As a result, the inflation rate influences the zone's budget use.

### 4.3.1 Summary of descriptive statistical analysis of selected determinants

Even if there significant differences between respondents, auditing and monitoring, public procurement, tax collection capacity, and government policy and inflation rate have their impact on budget utilization. Above table 4.6 descriptive analysis result for auditing and monitoring are compared, the overall grand mean value of 1.7906 and the std. of 0.924 ; indicates that the respondents are strongly disagree on effects of auditing and monitoring on the budget utilization. This suggests that there is no effective auditing and monitoring in the Dawuro zone public finance offices. However, an observation carried out by Geletaw Demera (2017) declares that effective auditing of public budget are determinants for effective and efficient budget utilization.

Based on table 4.7 public procurement descriptive statistical analysis, the cumulative mean value of 1.7751 and standard deviation of 0.941; indicates that the respondents are general disagreed. This reveals that, there breach country's procedures in the Dawuro zone public finance. According to Getnet Amdework (2014), public procurement is main instrument that contribute to the best utilization of public resources. The cumulative mean value of 1.9202 and std. of in the table 4.8 of tax collection capacity results indicated that the respondents are strongly disagree. Which suggests that there no enough revenue collection in the Dawuro that affects budget utilization efficiency. According to the study carried out by Charles Kipsang, tax collection capacity is one most underlying problem of budget utilization efficiency. Also similar study

conducted by Hashim Tune (2019), also reveals a good tax collection capacity is base for successful budget utilization.

The mean value of 1.7851 and std. of 0.989 regarding the government policy that express the respondents are strongly disagreed in the above table 4.9 ; which indicated the is problem of applying government policy in the budget utilization phase. According to Dinkinesh Bedasa (2019), a proper applying of a government policy in public finance offices is a corner stone for effective & efficient budget utilization.

As result, the respondent's inflation rate respondents are disagreed with mean value of 2.3563 and std. of 1.445. This indicates that the Dawuro zone finance don't take the account of country inflation rate, due to this inflation rate affects budget utilization in the Dawuro zone. As the study conducted by Asegedech Dumessa (2020), inflation rate is one of a significant factor that impact budget usage in public sectors. The above table 4.5 budget utilization results showed that respondents are strongly disagreed with mean value of 1.773 and a standard deviation of 0.949. This indicates that, there is weakness in budget utilization in the Dawuro zone.

In general, the five determinants are computed and summarized using the mean score and standard deviation for each independent variable, such as auditing and monitoring, public procurement, tax collection capacity, government policy and inflation rate, and the dependent variable budget utilization. As shown in the above, table 4:5, table 4:6, table 4:7, table 4:8, table 4:9, & table 4:10, the mean scores were ranked as follow, 2.3563(inflation rate) , 1.9202(tax collection capacity) , 1.7906(auditing and monitoring) , 1.7851(government policy) , and 1.7751(public procurement). The mean score value of dependent variable (budget utilization) was 1.773. Therefore these mean value result showed that budget utilization efficiency is weak in the Dawuro zone.

### 4.3.2 Analysis of open ended questions

This section emphasized on the strength and weakness of budget utilization in the zone , the root case for overutilization rate , the effects of tax revenue collection and inflation rate on budget utilization performance. According to this, the respondents responded that the main strengths of main strength in budget utilization in the Dawuro zone was stake holder's engagement and decentralized finance office & responsible budget user and the response of respondent for the

question of what is weakness of your offices in budget utilization as majority of them answers the main and serious are poor budget planning and management, lengthy bureaucracy, poor budget management, poor information exchange and reporting system, late budget release, lack of transparency, weakness of internal auditing, poor procurement, inability of inland revenue collection , breach of government policy and accountability, lack of modern financial and technological techniques, Inadequate record-keeping, inadequate controls, outdated financial systems and limited capacity to adopt new technology.

The main and most basic challenges of budget overutilization in the Dawuro zone in the previous year are the first one and most serious is recruitment of employees without approved budget in the organization. This indicates the budget holders give attention for how much of budget will be consumed in the fiscal year, in long run this result for shortage of budget for the planned projects and programs. The second problem that challenged Dawuro to over utilize their budget is unplanned budget transfer by the regional government for fertilizer loan and pension contributions. This indicates that, the existence of unplanned budget transfer for unpaid claims such as loan of fertilizer and pension contributions are deducted from zone budget by the regional government. In other word this, reveals the budget holders not considers the unpaid loans during budget preparation and allocation , this situation cause inefficient budget utilization as well as also cause for lack of good governance in the society. The third and other basic cause for budget over utilization in the Dawuro zone is unplanned procurement in the public sectors. Many of respondents revealed their opinion on problems related with unplanned procurement such as purchasing of goods and services is not based on the annual action plan by budget user sectors, existence of in adequate and absence transparent procurement procedure, complicated procedure in procurement items and failure of bid are among challenges that face public procurement in the zone and also basic cause for budget over utilization in the for last five budget years. In addition to this, other factors that cause for budget over utilization in the Dawuro zone are Overestimating revenue or expenses, inaccurate forecasting, poor budgetary controls, project delay, inadequate monitoring and reporting. Overestimating revenue or expenses can lead to overutilization due to outdated data, Inadequate controls and oversight mechanisms can also contribute to overspending. Project delays or cost overruns can result in increased spending and exceed budgetary allocations. Inadequate monitoring and reporting can make it difficult to track spending against budgetary allocations.

Lastly, the study asked the effects of Inland Revenue and inflation rate and the respondents responded that, the Inland Revenue and inflation rate are among challenges facing budget utilization at Dawuro zone. Some of the budget allocated expenses are covered by internal revenue received by Woredas, rather than by the national treasury. If the Woredas do not collect the whole money, it will impact their budget utilization and when inflation rate increase the sectors can't purchase goods and accept services with given budget.

## 4.4 Multiple linear Regression Assumption Tests

The following section discusses the classical linear regression model test results under the assumptions of correlation, normality, linearity, multicollinearity, independent of residuals, and homoscedasticity.

### 4.4.1 Correlation test

Schober and Schwarte (2018) define correlation as a measure of a relationship between variables. In correlated data, a change in the magnitude of one variable corresponds to a change in the magnitude of another variable, either in the same (positive correlation) or opposite (negative correlation) direction.

This study used relationship analysis to assess the strength of the linkages between budget usage and its factors (auditing and monitoring, public procurement, tax collecting capability, government policy, and inflation rate).

Pearson correlation analysis is used to describe and analyze the data obtained in order to determine the kind and degree of factor connections under consideration. The correlation coefficient outputs reflect the strength and direction of the relationships between the variables. According to Kennedy (2008), as reported by Dinkinesh (2019), the correlation coefficient between independent variables should not exceed 0.7.

The highest correlation for this study explanatory variable is 0.5550 that is between public procurement and budget utilization which is less than 0.7. The relationship between the dependent and independent variables was shown in Table 4.4.1 below;

**Table 4:11 correlation Test**

| Correlations | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Budget Utilization | Auditing and monitoring | Public procurement | Tax collection capacity | Government policy | Inflation rates |
| Budget Utilization. | Pearson Correlation | 1 | 0.473** | 0.550** | 0.118** | 0.513** | -0.38 |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .611 |
| | N | 183 | 183 | 183 | 183 | 183 | 183 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | | |

Source: own survey, (2024)

According to the correlation analysis result above in the table above 4:11, all explanatory variables have positive and significant correlation with budget utilization except inflation rate. Budget utilization related to auditing and monitoring(r=0.473**), public procurement (r=0.550**), government policy (r=0.513**), tax collection capacity (0.118**) and inflation rate (r=-0.38). This demonstrates that government policy, auditing and monitoring, public procurement and tax collection capacity have positive and significant correlation with budget utilization and inflation rate have negative and insignificant correlation with budget utilization.

## 4.4.2 Normality Assumption Test

Analyzing the normal distribution of the research data is one of the essential prerequisites for multiple linear regression analysis between the variables under consideration. Normality tests are used to calculate the likelihood that an underlying random variable will be normally distributed or to assess if a data collection is well-modeled by a normal distribution. (Gujarati, 2004)

The frequency distribution, which graphs values that are observed versus their frequency, offers both a visual indication of whether the distribution is bell-shaped and insights into data gaps and outliers. Thus, the assumption was checked using frequency distribution; while some residuals are beyond the normal curve, the fact that a majority of them are very near to and included inside the bell-shaped curve suggests that the residuals are normally distributed (Brooks, 2008). So, the

normality test for the data used in this study revealed the following histogram, which shows that the error terms are normally distributed.

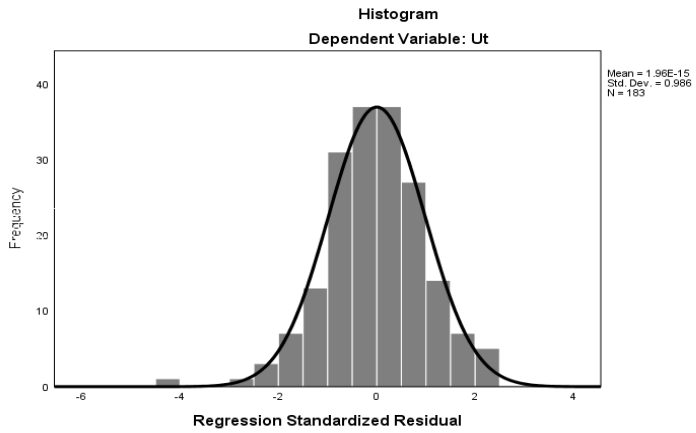


**Figure 4:4 Normality Assumption Test**

Source: own survey, (2024)

### 4.4.3 Linearity Assumption Test

The degree to which the change in the dependent variable is related to the change in the independent variables is referred to as linearity.

Plots of the regression residuals using SPSS software were used to determine whether the relationship between the independent variables and dependent variables is linear (Bader, 2021).

In the case of linearity, the residuals should have a straight-line relationship with the predicted dependent variables, and this is based on the fact that the change in the dependent variables is more related to the change in the dependent variables. As a result, there is no linearity problem with the data for this study, and residuals follow a straight line. The results of this test are depicted in figure 4:5 below.

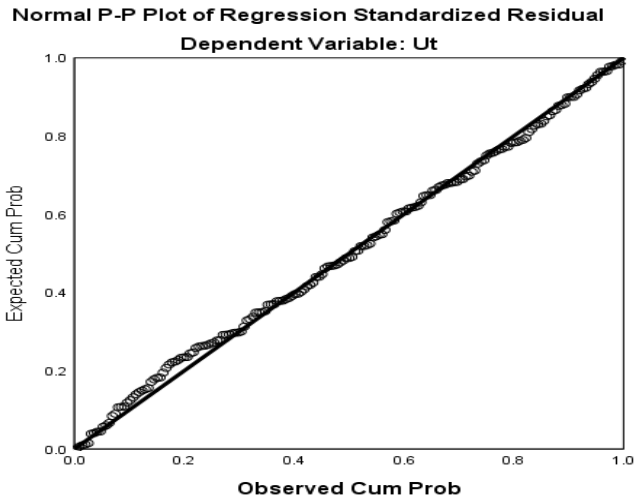


**Figure 4:5 Linearity Assumption Test**

Source: own survey, (2024)

### 4.4.4 Multicollinearity Assumption Test

Multicollinearity occurs when the independent/explanatory variables are highly correlated with one another (Senaviranta & A.Cooray, 2019). The outputs of the tolerance and variance inflation factors detect the test of multicollinearity (VIF).

The tolerance value (1/1-R) represents how much of the variability of the specified independent variable is not explained by the other independent variables in the model. If the tolerance is less than 0.1 and the VIF value is greater than 10, multicollinearity exists.

As shown in Table 4.12 below, independent variables such as auditing and monitoring , public procurement tax collection capacity, government policy and inflation rate have tolerances greater than 0.1, and a VIF value less than 10 indicates that there is no serious problem of multicollinearity in the independent variables as table below ;

**Table 4:12 Multicollinearity Assumption Test**

| Coefficientsa | | | |
|---|---|---|---|
| Model | | Collinearity Statistics | |
| | | Tolerance | VIF |
| 1 | Auditing and monitoring | 0.746 | 1.340 |
| | Government policy | 0.415 | 2.412 |
| | Public procurement | 0.375 | 2.669 |
| | Tax collection capacity | 0.979 | 1.022 |
| | Inflation rate | 0.978 | 1.022 |
| a. Dependent Variable: budget utilization | | | |

Source: own survey, (2024)

### 4.4.4 Independent of Residuals Assumption Test

This assumption test is equivalent to asserting that the observations (individual data points) are unrelated to one another (uncorrelated). The Durbin-Watson statistic is used to test for residual independence. The Durbin-Watson statistic has a value between 0 and 4.

As a general rule, if the Durbin-Watson value is close to 2, the residuals are independent (not correlated), and values less than 1 and greater than 3 are problems and causes for concern and may invalidate the analysis.

The Durbin Watson test is used to determine whether or not auto-correlation exists. This module investigates error correlations under the assumption that the error terms are stationary, normally distributed, and have a mean of zero. In this case, Durbin-Watson statistics revealed (Durbin-Watson =2.090). As a result, the result is 2 and somewhere between 1 and 3. As a result, the independence assumption of the residuals is satisfied.

**Table 4:13 Independent of Residuals Assumption Test**

| Model Summary | |
|---|---|
| Model | Durbin-Watson |
| 1 | 2.090 |
| a. Predictors: (Constant), Ir, Gp, Tcc, Adm, pp | |
| b. Dependent Variable: budget utilization | |

Source: own survey, (2024)

## 4.4.5 Homoscedasticity Assumption Test

Homoscedasticity is also known as the assumption of homogeneity of variances or uniformity of variances (Bader, 2021). The scatter plot is a useful tool for determining whether or not the data is homoscedastic. Because the points on the Scatter pilot are equally distributed above and below zero on the X-axis and right and left on the Y-axis, the assumption test results show that there is no heteroscedasticity problem.

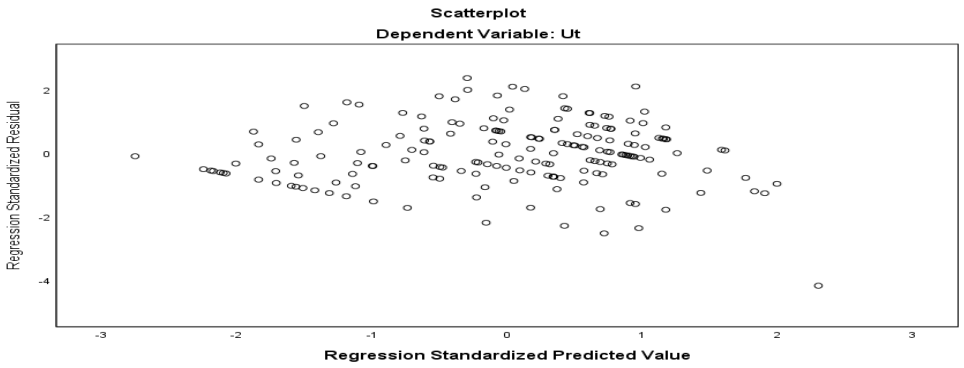


**Figure 4:6 Homoscedasticity Assumption Test**

Source: own survey, (2024)

Generally, the above discussions revealed that the diagnostic test results of all the five assumptions were not violated.

### 4.4.6 Model summary

As depicted in the table below a model summary, the "R" column represents the multiple correlation coefficient values of R. The "R" column represents the multiple correlation coefficient values of R, as shown in the table below, a model summary. The R-value of 0.401 indicates a significant correlation between budget utilization and the four determinants such as, auditing and monitoring, public procurement, tax collection capacity indicating a good level of prediction. But the fifth variable, Inflation rate effect on the budget utilization is insignificant in the Dawuro zone public sectors. The R2 value (also known as the coefficient of determination) is the amount of variance in the dependent variable that can be explained by the independent variables, as shown in the "R Square" column. As shown in Table 4.14 below, the R2 value of 0.401 indicates that the five variables in the model can explain 40% of the variation in budget utilization. The remaining 60% variation is explained by the stochastic error term (e), implying that 60% of the change in budget utilization is explained by determinant factors not explained by the model.

**Table 4:14 Model summary**

| Model Summaryb | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .633a | .401 | .384 | .33796 |
| a. Predictors: (Constant), Ir, Gp, Tcc, Adm, pp | | | | |
| b. Dependent Variable: Ut | | | | |

Source: Own survey, (2024)

After the data has been checked for the above-required assumptions and the study analysis confirmed that it has met all these assumptions, a multiple regression test analysis had carried out to determine how well the regression model fits the data (model summary). Then the independent variables statistically significantly predict the dependent variable (ANOVA) and the statistical significance of each independent variable (regression coefficients).

### 4.4.7 ANOVA Model Fit

ANOVA analysis is used to compare the mean scores of more than two variables. It is also known as the analysis of variance because it compares the variance between variables and determines whether the overall regression model is a good fit for the data (Kim, 2014). As shown

in Table 4.15 below, the value is statistically significant at F (5,117) =.114, (P 0.00), and it can be stated that there is a relationship between Budget utilization and its determinants in the Dawuro zone. The P-value less than 0.05(p=0.000) means that we accept the null hypothesis.

In better terms, smaller p-value less than 0.05 justifies that the independents variables i.e. auditing and monitoring , public procurement, government policy , tax collection capacity and inflation rate statistically significant in explaining the variation in dependent variable i.e. budget utilization efficiency .

**Table 4:15 ANOVA model fit test**

| ANOVAa | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | | Mean Square | F | Sig. |
| 1 | Regression | 13.513 | 5 | 2.703 | 23.661 | .000b |
| | Residual | 20.217 | 177 | .114 | | |
| | Total | 33.730 | 183 | | | |
| a. Dependent Variable: Budget utilization | | | | | | |
| b. Predictors: (Constant), Inflation rate , Government policy , Tax collection capacity, Auditing and monitoring , public procurement | | | | | | |

Source: own survey, (2024)

## 4.4.8 Multiple Linear Regression Coefficients

The coefficient of statistical analysis of multiple linear regression shown in table 4.16 below, shown in the model of budget utilization = 0.200 for auditing and monitoring + 0.291for public procurement + 0.177 for tax collection capacity + 0.212for government policy + (–0.051) for inflation rate + 0.306 for constant indicated that, The budget utilization increase by 0.200 when the auditing and monitoring goes up by one unit, budget utilization increase by 0.291when the public procurement goes up by one unit , budget utilization increase by 0.177 when the tax collection capacity increased by one unit , budget utilization increase by 0.212 when the government policy increased by one unit and budget utilization decreased by –0.051 when the inflation rate goes up by one unit. The constant-coefficient, on other hand, is 0.306, indicates that the budget utilization (dependent variable) value is positive if all independent variables (auditing

and monitoring, public procurement tax collection capacity, government policy and inflation rate) are zero.

The SPSS version 26 tool analysis outputs are produced compared with the result of the t-statistic in the t-distribution and the P-values. Therefore, the study considered the significant level of the P-value to be <= to 0.05, and the 95% confidence interval of the t-distribution closer than the mean t-value of the coefficient calculated.

Generally, a P-value of 5% or less is an accepted test value to reject the null hypothesis and work with the alternative proposed. That is to mean with a P-value of .05, only a 5% chance of defect come up with a random distribution and a 95% confidence level chance of accepted result with the assumption of a correctly specified model.

**Table 4:16 Regression coefficients**

| Coefficientsa | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .306 | .195 | | 1.572 | .118 |
| | Auditing and monitoring | .200 | .055 | .244 | 3.624 | .000 |
| | Public procurement | .291 | .093 | .298 | 3.136 | .002 |
| | Tax collection capacity | .177 | .065 | .160 | 2.715 | .007 |
| | Government policy | .212 | .099 | .193 | 2.140 | .034 |
| | Inflation rate | -.051 | .039 | -.078 | -1.318 | .189 |
| a. Dependent Variable: Budget utilization | | | | | | |

Source: own survey, (2024)

### 4.4.8.1 Unstandardized coefficients

As shown in table 4:16 above, unstandardized coefficients indicated how much the dependent variable varies with an independent variable, when all other variable independent variables are held constant, the beta coefficient indicates how and to what extent the independent variables influences the dependent variable. BUt= β0+ β 1ADM+ β2 PP + β3 TCC + β4GP

+ β 5IR+ut(e)

Accordingly budget utilization i = 0.306budgt utilization + 0.200auting and monitoring +0.291public procurement +0.177tax collection capacity +0.212government policy -0.051inflation rate + εi. Furthermore, the constant value (=0.306) indicates that the budget utilization would be 0.306 if the explanatory variables remain constant or all independent variables are zero. In other word, if there is no auditing and monitoring, public procurement, tax collection capacity, government policy and inflation rate, the budget utilization in the Dawuro zone public finance is positive.

A beta coefficient of 0.200, 0.291, 0.177, 0.212, and -0.051, on other hand, explains that the increasing of auditing and monitoring, public procurement, tax collection capacity and government policy increases by one unit increase budget utilization of Dawuro zone by 20%, 29.1%, 17.7%, and 21.2% respectively and one unit decreasing in inflation rate, also decrease budget utilization by -5% but its impact is insignificant. Whereas, the error term (**є**) estimates is assumed to be zero.

## 4.5 Testing of Hypothesis

### 4.5.1 Testing of Hypothesis with regression analysis

The hypothesis has frequently demonstrated that the researcher attempts to explain the phenomenon of interest. These hypotheses represent the researcher's attempt to clarify the phenomenon under consideration, which clarification should include the outcome of prediction around the variables under consideration. These prediction results are discovered through the scientific procedure of gathering and analyzing information, and theories can be supported or refuted (adulterated) based on the information gathered from the examination. Based on the factors developed earlier in chapter two, the five hypotheses driven by the selected determinants are formulated and tested. As a result, the following tests are considered to test the null hypothesis of this study based on the Summary result of multiple linear regression analysis output of Beta coefficients; t-test result, P-value, model summary, and ANOVA model fit tests

### 4.5.2 Testing hypothesis with Regression result Analysis

This section presents the result and summarizes the findings necessary to test hypothesis testing at a 5% significance level, which was based on the p-value as shown in above table 4.16.

### Testing resting 1

**H1:** *Auditing and monitoring has positive and significant effects on the budget utilization in the Dawuro zone.*

The coefficient of Auditing and monitoring is 0.200(sig. value = 0.00) which indicates the auditing and monitoring has a positive and significant effects on budget utilization in the Dawuro zone public administration offices. The Alternative hypothesis one (H1) was therefore accepted at a 5% level of significance. The result is consistent with the findings of Shahid et al.(2019), Rotich(2015) and Garedew (2018). But the findings of Dinkinesh(2019) found that budget utilization has an insignificant & positive relationship between auditing and monitoring.

### Testing hypothesis 2

**H2:** *Public procurement has positive and significant effects on the budget utilization in the Dawuro zone.*

The coefficient of public procurement is 0.291 (sig. value=0.02) which indicate that public procurement has a significant and positive effects on budget utilization on budget utilization in the Dawuro zone public administration offices.

The Alternative hypothesis (H2) was therefore accepted at a 5% level of significance. The results of study are consistent with the findings of Abayneh K et al. (2018).

### Testing Hypothesis 3

**H3:** *Tax collection capacity has positive and signficant effects on the budget utilization in the Dawuro zone.*

The coefficient of tax collection is 0.177(sig. =007) which indicates that tax collection capacity has a significant and positive effects on the budget utilization in the public administration offices at Dawuro zone. The Alternative hypothesis (H3) was therefore accepted at a 5% level of significance. The result of study is consistent with the findings of Charles (2015), Hashim(2019), Rotich (2015) and Dinkinesh(2019). But the findings of Garedew (2018) found out budget utilization has positive and insigficant relatioship between tax collection capacity.

## Testing Hypothesis 4

**H4:** *Government policy has positive and signficant effects on budget utilization in the dawuro zone.*

The coefficient of government policy is 0.212 (sig. =0.034) which indicates that government policy has a significant and positive effects on budget utilization in the public administration offices at dawuro zone. The Alternative hypothesis (H4) was therefore accepted at a 5% level of signficance. The result of study is consistent with the findings of Mwai S Mathengeet al. (2018) and Dinkinesh(2019). But the findings of Hashim(2019) found out budget utilization has negative and signficant relationship between government policy.

## Testing Hypothesis 5

**H5:** *Inflation rate has negative and signficant effects budget utilization in the dawuro zone.*

The coefficient of inflation rate is -0.051(sig.= 0.189) which indicates that inflation rate has a insignficant and negative effects on budget utilization in public administration offices at dawuro zone. The Alternative hypothesis (H5)was therefore rejected because the signficance level(0.189) is greater than 5% of signficance level and accept null hypothesis. The result of study is consistent with the findings of Charles (2015). But the findings of(Rotich (2015), Hashim(2019) and Dinkinesh 2019) found out budget utilization has negative and signficant relationship between inflation rate.

**Table 4:17 summary of the tested hypothesis with regression analysis**

| Hypothesis | Beta coefficient | Statistical sig. | Decision on hypothesis |
|---|---|---|---|
| **H1:** Auditing and monitoring has positive and significant effects on the budget utilization in public administration offices. | 0.200 | 0.000 | Accepted |
| **H2:** Public procurement has positive and significant effects on the budget utilization in the public administration offices. | 0.291 | 0.002 | Accepted |
| **H3:** Tax collection capacity has positive and signficant effects on the budget utilization in the public administration offices. | 0.177 | 0.007 | Accepted |
| **H4:** Government policy has positive and signficant effects on budget utilization in public adminstration offices. | 0.212 | 0.034 | Accepted |
| **H5:** Inflation rate has negative and signficant effects budget utilization in the public administration offices. | -0.051 | 0.189 | Rejected |

Source: own survey (2024)

## 4.6 Summary of multiple linear regressions Analysis

In this section, the classical linear regression model test results must be discussed in this section of the study. The main techniques used were discussed, including hypothesis testing, Pearson product of moment correlation coefficient, and assumption for multiple regression analysis. Before proceeding to other analyses the alternative hypothesis of four variables accepted and one variable is rejected. All four variable p-values were less than the significant level ($P \leq 0.05$) at (sig < .01). The matrix correlation coefficient ranged between 0.550 and -0.38 at a 95% confidence interval. (i.e., $p \leq 0.01$), indicating public procurement has a substantial moderate positive correlation and inflation rate has negative correlation with dependent variable (budget utilization). In addition to this the assumptions of multiple regression model was created to test hypothesis that the selected variables( auditing and monitoring , public procurement, tax collection capacity, government policy and inflation rate) have a significant and positive with

budget utilization except inflation rate has negative and insignificant relationships with budget utilization. According to the above figure 4:4 of normality assumption test result of the figure has a symmetrical or bell-shaped curve indicating its normal distribution of residuals. Whereas the second illustration given above figure 4:5 of linearity assumption test result of visual graphical representation of scatterplots indicated that the independent and dependent variables have a clear relationship. The other illustration of in above table 4:12 of multicollinearity analysis of five determinants results pointed at the interval of 0.746 to 0.978 at tolerance of > .1 and a VIF less than 10, indicating that there is no serious problem of multicollinearity in the independent variables. In fourth illustration in above figure 4:6 of fourth step , the homoscedasticity assumption the result of standard residuals versus predicted values was randomly scattered plots and the evidences is shapeless, indicating that there was no heteroscedasticity problem.

The another illustration in above table 4:13 of the independent of residuals assumption test result 2.09 , which used the Durbin – Watson rule of thumb standard 0 & 4 , confirmed that the result was free of auto-correlation. In the model summary test result, above table 4:14 indicated R2=40% of the variation of the model, while, the remaining 60% was explained by other predictors not included in the model. Moreover the other illustration in the above table 4:15 F (5,117) =.114, (P 0.00) at p-value less than 0.01 indicated that the selected model has a good fit for independent variables within budget utilization. Finally, the above table 4.4.8 of multiple linear regression coefficients shows that the unstandardized and standardized outputs are explained by multiple linear models.

For auditing and monitoring, public procurement, tax collection, government policy and inflation rate, the unstandardized multiple linear model explains 20%, 29.1%, 17.7%, 21.2% and -5% ,respectively .

## 4.7 Analysis of Secondary Data

### 4.7.1 Document analysis

This section examines the root causes or circumstances that contribute to over utilization of budget in the Dawuro zone finance office, selected Woredas, and city administration. Data from the Dawuro zone finance and economic department's financial reports accounts from 2011 to 2015 were used to examine the cause of budget overutilization.

As the role of government has increased, financial resources have become increasingly scarce in order to address rising social requirements and population expansion. Insufficient financial resources, while rising demand for public services, necessitate improved resource allocation through suitable economic strategy and expenditure plans (Garedew, 2018).

**Table 4:18 Comparison of approved budget with actual spent of Dawuro zone**

| | Dawuro zone finance and economic development department | | | |
|---|---|---|---|---|
| Year (ዓ/ም) | Adjusted budget | Actual expenditure | Under/over | %0f over utilization |
| 2011 | 1,089,789,871 | 1,208,678,550.67 | -118,888,679.67 | 10% |
| 2012 | 1,160,256,690 | 1,689,578,870.43 | -529,322,180.43 | 45% |
| 2013 | 1,255,637,734 | 1,345,435,621.90 | -89,797,887.9 | 7% |
| 2014 | 1,361,566,752 | 1,436,013,169.33 | -74,446,417.33 | 5% |
| 2015 | 1,664,209,440 | 2,269,727,938.59 | -605,518,498.59 | 36% |
| Sum | 6,531,460,487 | 7,949,434,150.92 | -1,417,973,663.92 | 1.22% |

Source: Dawuro zone finance office 2011-2015 reports from IBX

According to Asegedech (2020), underdeveloped nations' public financial management performance is significantly better in budget preparation than in budget utilization. As shown on the above table 4.19, the whole adjusted budget (approved budget+ supplement –transfer deducted+ transfer added) is set for both capital and recurrent budget expenditures of Dawuro zone. According to the data above the last five year, 6,531,460,487birr available for use but 7,949,434,150.92 were actual used and -1,417,973,663.92 or 122% was utilized above approved budget. This report shows that, overutilization budget in the zone in the last five years. Also the data represents each fiscal year there is over utilization of budget in the Dawuro zone the over utilization in 2011 , 10% above adjusted budget, in 2012, 45% above adjusted budget , 2013 & 2014, 7% and 5% utilized above adjusted budget respectively.

In addition to this there is also over utilized budget at 2015 at 36%. In general the total overutilization rate of adjusted budget in last five year (2011-2015) is 1.22%. This indicates that there is overutilization of budget at Dawuro zone in previous five years 2011-2015. This is

mainly due to poor planning, inadequate resource allocation, lack of transparency and accountability, lack technology, weak internal auditing as the respondents responded in the open ended questions.

### 4.7.2 Sampled woreda budget Overutilization rate of last five years (2011-2015)

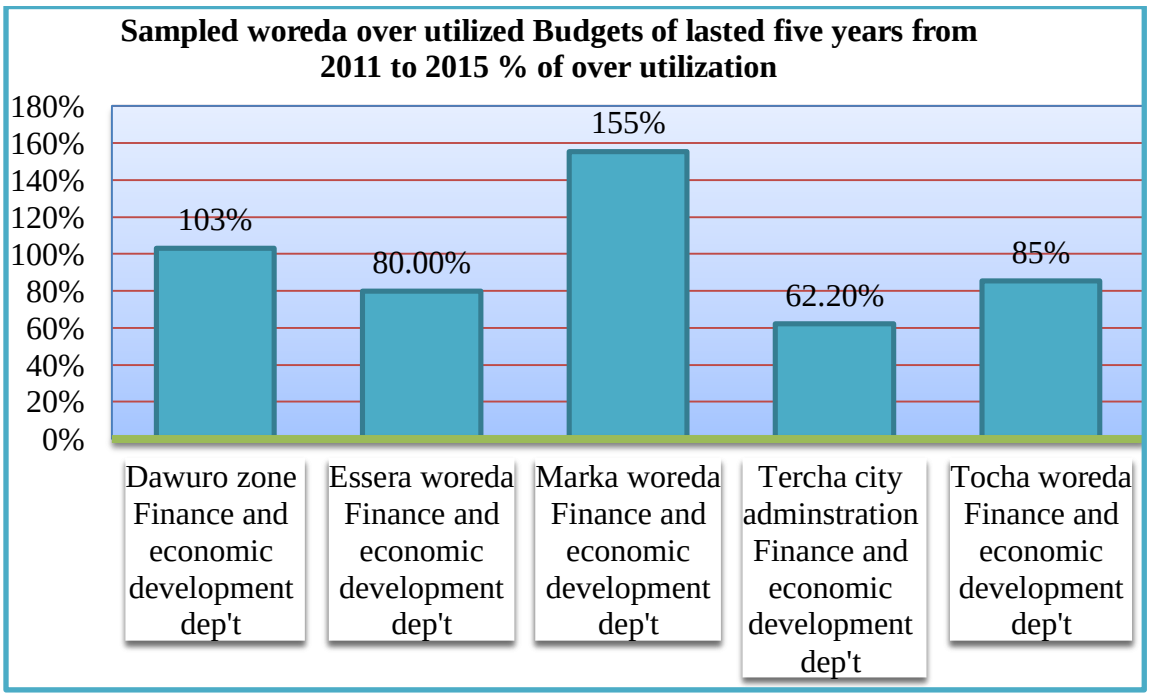


**Figure 4:7 sampled area budget overutilization rate of last five years**

Source: own survey, (2024)

As shown, in the above figure 4:6, indicates that the over utilization rate of budget at last five years (2011-2015) in the Dawuro zone finance economic development department and all sampled woreda finance and economic development department. That means the summation of 2011, 2012, 2013, 2014 and 2015. According to this there is highest overutilization of budget in Marka woreda and lowest budget overutilization at Tercha city administrations at 155% and 85% respectively in the last five years.

# CHAPTER FIVE

# CONCLUSIONS, AND RECOMMENDATIONS

This chapter presents the conclusion, recommendation, and direction of future research which came from previous chapters which contains introduction, review of literature, research design and methodology, and result and discussion part.

## 5.1 Summary of major findings

The objective of this study was to identify the determinants of budget utilization in public administration offices in Dawuro zone. As a result, under their specific objective, hypothesis, and operating multiple linear model, five selected determinants are formulated and investigated using descriptive assumption for linear regression by using different techniques. In addition to this, the study used five year (2011-2015) annual financial reports to accomplish the above objective. Therefore, a summary of the major findings of the study combined as follows:

The demographic profile of respondents who returned the questionnaire was used in descriptive statistics analysis. The majority of respondents are males, about 116(63.39%) and 67(36.61) , most of respondents are in the age of 31-42 77(42.1), most respondents education level is first Degree about 111(60.7%) ,the most of respondents work experience is between 11-20 which accounts about 55(30%) and the most of respondents qualification is Accounting and finance about 58(31.69%) , most of respondents positioned at budget planning and coordination accounts about 38(20.77%) of the Respondents.

Concerning the descriptive statistical analysis of five determinants, which are computed and summarized using the grand mean score and standard deviation for each independent variable, such as auditing and monitoring, public procurement, tax collection capacity, government policy and inflation rate, and the dependent variable budget utilization, The grand mean score of the descriptive statistical analysis result of independent variables was ranked on the basis of the cumulative mean score accordingly: inflation rate (2.3563), tax collection capacity (1.9202), auditing and monitoring (1.7906), government policy (1.7851), and public procurement (1.7049). The cumulative mean value of dependent variable (budget utilization) was 1.773. Therefore, these cumulative mean value results showed that budget utilization performance in the Dawuro

zone public administration office is unsuccessful. Following that, the study tested Pearson's correlation and all variable have positive and significant correlation with dependent variable except inflation rate have negative and insignificant correlation between dependent variable (budget utilization).And public procurement shares highest and strong correlation and tax collection capacity shares weak correlation with budget utilization.in addition to this the study applied different test in order to investigate the influence of independent variables on dependent variable the tests such as , normality test , linearity test , multicollinearity test , independent of residual assumption test , homoscedasticity test , and Anova fit test indicated that ,there is no problem all test with the study variable.

Moreover the assumptions of linear regression test results, four variables(auditing and monitoring, public procurement , tax collection capacity and government policy) have positive and significant with significance level of 0.000 to 0.034 but inflation rate has no significant impacts on dependent variable (budget utilization). In addition to this, as data from annual audited financial report indicates that, throughout recent five year (2011-2015) there is overutilization of budget in sampled budget holder are highly indicates that the Woredas and the zone public finance of budget utilization is above allocated amount which demonstrate there is no proper utilization of budget. This is mainly due to unplanned transfer by regional government, recruitment without approved budget and weak public procurement, inaccurate forecasting and revenue or expense overestimates are most significant than other as response from open ended questions.

At Dawuro zone, most of the approved budget was not utilized properly for planned activity. Relevant reports indicated that such overutilization arose from poor planning and management, inadequate allocation, weak auditing and monitoring, procurement procedure, inability of Inland Revenue collection, breach of government policy, absence accountability & transparency lack skilled manpower, usage of technology to utilize approved budget. As responses from open ended questions reveals that decentralization of finance office, responsible budget user, stakeholder engagement and as strength of budget utilization at Dawuro zone and poor budget planning and management, lengthy bureaucracy, poor budget management, poor information exchange and reporting system, late budget release, lack of transparency, weakness of internal auditing, inability of inland revenue collection ,breach of government policy and accountability, lack of modern financial and technological techniques , revealed as challenges of budget

utilization at Dawuro zone. And they suggested that, the office must follow proper planning and management, record all expenses with full data and in general must perform the budget utilization in accordance with country fiscal policy.

## 5.2 Conclusion

The purpose of this study was to identify the determinants of budget utilization in public administration offices in Dawuro zone and to accomplish the study objective and hypothesis regarding budget utilization in public administration offices in the Dawuro zone.

To address the study objective and hypotheses posed in the opening portion of the study paper, the dependent and independent constructs are selected and investigated using SPSS26, documents were analyzed, and open ended questions are collected to answer above objective. The following conclusions have been formed based on the descriptive and statistical analysis results for the research summary findings mentioned.

The descriptive findings of study shows that auditing and monitoring, public procurement, tax collection capacity, government policy and inflation rate and dependent variable(budget utilization) have average mean score values of 1.7906, 1.7049, 1.9202, 1.7851, 2.3563, 1.773, respectively but inflation rate have insignificant effects on budget utilization. This shows that the majority of respondents strongly disagreed on proper utilization of approved budget in accordance with initial plan.

Regarding statistical analysis also the correlation coefficient of results of the independent and dependent reveals that public procurement, tax collection capacity, government policy and auditing monitoring has substantial positive influences on the budget utilization under the study but inflation rate has negative and insignificant impact on the budget utilization. In addition to this the regression result analysis, all the variables in the model explained 40% of variation of budget utilization at F (5,117) =.114, (P 0.00) and $p< 0.05$. As per the hypothesis formulated, all variables have a positive and significant effects on budget utilization in public administration offices in Dawuro zone except inflation rate have negative and insignificant effects on budget utilization at 95% confidence interval for Beta and they are critical determinants for efficient and effective budget utilizations at Dawuro zone public administrative offices.

Furthermore, the last Five years Audited annual financial reports indicated the overutilization of budget clearly. It was also shown the budget users spent their budget above the appropriation. I.e. A zone had been utilizing above the approved budget. The study also found that the existence of over utilized, absence of clear accountability for the occurrence of budget over utilization, the existence of weak supervision and control by the budget holders leader's and their successive subordinates , lack of transparent leaders, absence of performance evaluation on budget utilization , negligence of continuous and regular evaluation in order to correct an observed challenges and Dawuro zone finance and economic development department don't arrange short term training to improve the skills of budget section employees. The root cause of last year over utilized budget are recruitments without approved budget , unplanned transfer budget by regional government and unplanned procurement are basic one. The strength of budget utilization in the Dawuro zone are stake holder engagement and decentralized finance office and weaknesses of budget utilization at Dawuro zone are poor information exchange and reporting system, late budget release, lack of transparency, weakness of internal auditing, inability of inland revenue collection, breach of government policy and accountability, lack of modern financial and technological techniques.

## 5.3 Recommendation

Depending up on the above analyzed data and conclusion drawn the following recommendations were forwarded based on the descriptive statistics, multiple linear regression model and open ended question that are important to the public administration offices , and its employees to take corrective measures on the most important factors determining the budget utilization efficiency of public administration offices.

- Auditing and monitoring is not enough strong in the zone. Therefore, the Dawuro zonal government should have strong internal auditors and the financial offices transactions offices to be investigated frequently by external auditors and timely follow up to be needed in order to minimize budget over utilization.
- Public procurement is also another factor that significantly affects the budget utilization capacity in the Dawuro zone public sectors. Therefore, each public sector should have to prepare annual action plan for procurement, purchase goods and services on basis time

based procurement systems, give training to the employees who participate in the procurement process, create procurement procedures short and simple.

- The tax collection capacity also has significant impact on the budget utilization in the Dawuro zone public sectors. Therefore, the Dawuro zone finance and economic development department should investigate the inland revenue collection capacity of the Woredas/city administrations in the budget planning phase and also the zone or Woredas revenue offices should participate in the budget planning and allocation phase. In addition to this each woreda/ city administration should collect a given internal revenue in accordance with plan and also The Woredas and city administration revenue offices should use opinion recommendation on feedback provided by Dawuro zone finance and economic development department.
- Government policy has a significant effect on budget utilization performance. Therefore, each public sector should properly apply the government policy in order to enhance the budget utilization efficiency and each and every financial sector should perform tasks in accordance with the country fiscal policy.
- Inflation rate is another factor that affect budget utilization in the zone but its effect is statistical insignificant. But as open ended question revealed many respondents were agreed on negative impact of inflation rate on budget utilization. So each public sector should consider inflation rate in budget planning phase.
- In addition to the above, the Dawuro zone budget utilization efficiency was affected by recruitment without approved budget, unplanned transfer by regional governments. Therefore the sectors shouldn't recruit employee without approved budget and the budget holding sectors should have to consider the unpaid claims during budget preparation and allocation phase.
- Finally, the budget utilization capacity in the Dawuro public sectors are affected by poor planning and allocation , weak participation of concerning body , lack awareness, absence skilled man power , enabled to use latest technology for transaction and payment, lack transparency and accountability. Therefore, the Dawuro zone public finance should consider the needs of society during budget planning and allocation to each sectors, encourage stakeholders participation in every phase budget, Dawuro zone finance sector should create awareness each budget holding sectors how to utilize

approved budget in accordance with plan, hire educated and skilled budget expert, adopt latest technology, improve transparency and accountability to ensure better budget utilization performances.

## 5.4 Direction for further research

- Rather than above finding the researcher, recommend the future researcher add other variables that influence budget utilization (structural change of organization, new technology, staff capacity, diverting of fund, Unpredictability in the availability of and access to budgetary supplies, Delayed releases and coordination between staff members). In addition to this, the researcher may investigate more than five year audit annual report of the Dawuro zone. The future researcher may conduct research in the whole Dawuro zone level.

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**POSTGRADUATE STUDIES**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

# APPENDIX I

**Part I (Questionnaire Distributed for worker /respondents in study area and those whose daily task is directly related with budget issue)**

**Dear respondents,**

My name is Bayu Bahiru I`m a Postgraduate student at Jimma University in the Department of Accounting and Finance. Currently, I`m conducting research entitled "***Determinants of Budget utilization in public administration offices in case study of Dawuro zone as in Partial Fulfillment of the Requirements for the award of Degree of Master of Science in Accounting and Finance (MSc)".***The purpose of this questionnaire is to obtain data for the Academic purpose only, and hence you are kindly requested to assist in the successful completion of the study by providing the necessary information. Your participation is entirely voluntary and the questionnaire is completely anonymous. I confirm that the information you share will stay confidential and only will be used for the aforementioned academic purpose. So, your genuine, frank, and timely response is vital for the success of the study. I want to thank you in advance for your kind cooperation and dedication of your precious time to filling this questionnaire.

Sincerely, Bayu Bahiru

**General Instruction:**

- No need of writing your name and you do not have to contact other respondents to fill out your response.
- Indicate your answer with a checkmark ***(√)*** on the appropriate block/cell for all questions.
- If you have any questions you can contact the researcher at the following addresses.

Phone number+251914420901/0967097271 or Email: vetelavayuvahirugmail.com

**Section I: Background Information of the Respondents: Put the "✓" mark in the relevant box below.**

1. Gender : Male ☐ Female ☐
2. Age : 18-30 ☐ 31-42 ☐ 43-60 ☐
3. Marital status : Single ☐ married ☐ Divorced ☐
4. Level of Educational: Diploma ☐ Degree ☐ masters and above ☐
5. Year of work experience (service): 1-10 ☐ 11-20 year ☐ 21-30year ☐ 31-40 ☐ above 40 ☐
6. Qualification: Accounting and finance ☐ management ☐ Economics ☐ Business management ☐ Business administration ☐ others ☐
7. Position: finance head ☐ Finance officer ☐ Budget plan& coordinators officer ☐ Auditors ☐ Purchaser ☐ Accountant ☐ Other ☐

**Section II:** Please provide your level of agreement or disagreement with the following statements (please mark **"√"** for each line in the labeled columns) strongly Disagree=1, Disagree=2, Neutral = 3, Agree=4 and strongly Agree=5

| No | Variables | Scale/Value | | | | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **Budget utilization** | | | | | | |
| 1 | Your office uses the approved budget Based on its plan. | | | | | |
| 2 | Your office regularly tracks its budget utilization | | | | | |
| 3 | There is always a problem of matching annual plan with actual expenditure in your department. | | | | | |
| 4 | Payment is always made based on complete documentation and evidences. | | | | | |
| 5 | Your office always provides a fast, informative, and comprehensive budget implementation report. | | | | | |
| 6 | The planning and budget section regularly supervises and provides timely feedback to improve budget utilization. | | | | | |
| 7 | The current budget utilization and control of your office is sufficient. | | | | | |
| 8 | Budget expenditures are consistent with plans. | | | | | |
| **Auditing and Monitoring** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | Auditing performance is not a challenge for budget utilization in y our sector. | | | | | |
| 2 | Each budget activity in your sector has been effectively evaluated. | | | | | |
| 3 | Your office has the practice of regular follow up on its budget utilization and evaluation | | | | | |
| 4 | Budget utilization is always audited based on full documents and evidence from the revenue office. | | | | | |
| 5 | Your office's financial statements are frequently audited by an Independent auditor. | | | | | |
| 6 | Internal auditors well conduct performance auditing to evaluate effectiveness of budget utilization. | | | | | |
| **Public procurement** | | | | | | |
| 1 | Your office procurement procedure is not complicated. | | | | | |
| 2 | In Your office there is no Failure of bid repeatedly. | | | | | |
| 3 | Your offices has a skilled bidders and Public access to complete, reliable and timely procurement information | | | | | |
| 4 | Suppliers' don't failure to provide goods and services on time as agreed. | | | | | |
| 5 | There is enough human resource capability (knowledge and skills) to evaluate bids in accordance with guidelines. | | | | | |
| 6 | Delay in payment can't lead to cost overruns | | | | | |
| **Tax collection capacity** | | | | | | |
| 1 | The Woredas inland revenue collects taxes in accordance with the woreda/zone plan. | | | | | |
| 2 | Ineffectiveness of Domestic revenue collection not affects Budget utilization. | | | | | |
| 3 | Lack of awareness of taxpayers does not have impact on budget utilization. | | | | | |
| 4 | There is clear information for taxpayers and stakeholders on the ti metable and how to pay taxes. | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5 | Corruption is not the reason for the poor performance of Inland revenue, which affects budget utilization. | | | | | |
| | **Inflation rate** | | | | | |
| 1 | Budget utilization is planned to forecast the country's inflation rate s. | | | | | |
| 2 | There was an unexpected rate of inflation between the budget's pla nning and implementation. | | | | | |
| 3 | The budget allocated by the government takes into account the cou ntry's inflation rate. | | | | | |
| 4 | Inflation rates in the entire nation can be predicted. | | | | | |
| 5 | The public sector controls inflation in order to avoid unplanned bu dgeting at the administrative level. | | | | | |
| **Government policy** | | | | | | |
| 1 | The budget for the organization is planned in accordance with the country's budget use policy. | | | | | |
| 2 | Every budget allocation is based on the policy requirements of the sectors. | | | | | |
| 3 | The organization's budget utilization is examined on a regular basis to ensure that it is consistent with country policy. | | | | | |
| 4 | Budget utilization policies are effectively applied in the organization. | | | | | |
| 5 | The policy allows the implementation of the budget use to be flexible in case of unique implementation requirements. | | | | | |
| 6 | All funds utilization situations that arise within the organization are supported by the country's fiscal policies. | | | | | |

## Section III: open ended questions related with budget utilization

- Please answer questions below based on your experience and what is really happening in your finance office / on your woreda.

1. What are the areas of weakness and capabilities in budget utilization in your offices?
   a. Weakness_____
   b. capabilities_____
2. What is the root causes for over utilized budget in your office in previous year?
3. Internal revenue collection capacity and its effect on budget performance.
4. Inflation Rates effects on budget utilization.